

GARDEN ROUTE DISTRICT

DISTRICT MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2018

GARDEN ROUTE DISTRICT MUNICIPALITY

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GARDEN ROUTE DISTRICT MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
GENERAL INFORMATION

NATURE OF BUSINESS

Garden Route District Municipality is a district municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Garden Route District Municipality includes the following municipalities:

Bitou Municipality
George Municipality
Hessequa Municipality
Kannaland Municipality
Knysna Municipality
Mossel Bay Municipality
Oudtshoorn Municipality

EXECUTIVE MAYOR

Mr. M Booysen

DEPUTY EXECUTIVE MAYOR

Ms. RH Ruiters

ACTING SPEAKER

Mr. BHJ Groenewald

CHIEF WHIP

Mr. RE Spies

MEMBERS OF THE EXECUTIVE COMMITTEE

Executive Mayor
Deputy Executive Mayor
Executive Councillor / Chief Whip
Executive Councillor
Executive Councillor
Executive Councillor
Executive Councillor
Executive Councillor
Executive Councillor

Mr. M Booysen
Ms. RH Ruiters
Mr. RE Spies
Mr. RE Spies
Mr. I Stemela
Mr. JJC Lambaatjeen
Ms. JP Johnson
Mr. KS Lose
Ms. E Meyer

GARDEN ROUTE DISTRICT MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
GENERAL INFORMATION

MUNICIPAL MANAGER

Mr. M.G Stratu

CHIEF FINANCIAL OFFICER

Miss. L. Hoek

REGISTERED OFFICE

54 York Street
GEORGE
6529

AUDITORS

Office of the Auditor General (WC)

PRINCIPLE BANKERS

Standard Bank, George

ATTORNEYS

*Raubenheimers Attorneys
Cilliers Odendaal Attorneys
Millers Attorneys
Regan Brown Attorneys
Schroter Attorneys (Lamont Settlement)
Boer Arries Attorneys
Le Roux Lamprecht Attorneys
Stadler & Swart Attorneys*

RELEVANT LEGISLATION

Basic Conditions of Employment Act (Act no 75 of 1997)
Collective Agreements
Division of Revenue Act
Electricity Act (Act no 41 of 1987)
Employment Equity Act (Act no 55 of 1998)
Housing Act (Act no 107 of 1997)
Infrastructure Grants
Municipal Budget and Reporting Regulations
Municipal Finance Management Act (Act no 56 of 2003)
Municipal Planning and Performance Management Regulations
Municipal Property Rates Act (Act no 6 of 2004)
Municipal Regulations on Standard Chart of Accounts
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Systems Amendment Act (Act no 7 of 2011)
SALBC Leave Regulations
Skills Development Levies Act (Act no 9 of 1999)
Supply Chain Management Regulations, 2005
The Income Tax Act
Unemployment Insurance Act (Act no 30 of 1966)
Value Added Tax Act
Water Services Act (Act no 108 of 1997)

GARDEN ROUTE DISTRICT MUNICIPALITY
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
GENERAL INFORMATION

MEMBERS OF THE GARDEN ROUTE DISTRICT MUNICIPALITY

WARD		COUNCILLOR
Proportional		<i>Ms. T Fortuin</i>
Proportional		<i>Mr. S de Vries</i>
Proportional		<i>Ms. NF Kamte</i>
Proportional		<i>Mr. MP Mapitza</i>
Proportional		<i>Ms. D Xego</i>
Proportional		<i>Ms. CN Lichaba</i>
Proportional		<i>Ms. T van Rensburg</i>
Proportional		<i>Ms. S May</i>
Proportional		<i>Mr. RE Spies</i>
Proportional		<i>Mr. M Booysen</i>
Proportional		<i>Mr. KS Lose</i>
Proportional		<i>Mr. D Saayman</i>
Proportional		<i>Mr. BN van Wyk</i>
Proportional		<i>Mr. AJ Rossouw</i>
Representative:	George Municipality	<i>Ms. T Teyisi</i>
Representative:	George Municipality	<i>Mr. PJ van der Hoven</i>
Representative:	George Municipality	<i>Mr. I Stemela</i>
Representative:	George Municipality	<i>Ms. EH Stroebel</i>
Representative:	George Municipality	<i>Mr. RS Figland</i>
Representative:	George Municipality	<i>Mr. V Gericke</i>
Representative:	Mossel Bay Municipality	<i>Mr. BHJ Groenewald</i>
Representative:	Mossel Bay Municipality	<i>Ms. E Meyer</i>
Representative:	Mossel Bay Municipality	<i>Ms. RH Ruiters</i>
Representative:	Mossel Bay Municipality	<i>Mr. SS Mbandezi</i>
Representative:	Oudtshoorn Municipality	<i>Mr. JJC Lambaatjeen</i>
Representative:	Oudtshoorn Municipality	<i>Mr. RR Wildschut</i>
Representative:	Oudtshoorn Municipality	<i>Mr. K Windvogel</i>
Representative:	Knysna Municipality	<i>Mr. L Tyokolo</i>
Representative:	Knysna Municipality	<i>Mr. MS Willemse</i>
Representative:	Knysna Municipality	<i>Mr. MV Molosi</i>
Representative:	Hessequa Municipality	<i>Mr. SM Odendaal</i>
Representative:	Hessequa Municipality	<i>Mr. IT Mangaliso</i>
Representative:	Bitou Municipality	<i>Ms. NC Jacob</i>
Representative:	Bitou Municipality	<i>Ms. ASM Windvogel</i>
Representative:	Kannaland Municipality	<i>Ms. JP Johnson</i>

GARDEN ROUTE DISTRICT MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2018, which are set out on pages 7 to 91 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The Eden District Municipality's name was changed to Garden Route District Municipality, as per Provincial Government Gazette 7972, dated 24 August 2018.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2019 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements were prepared on the going concern basis.



Mr. M.G Stratu
Accounting Officer

30/11/2018

Date

GARDEN ROUTE DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Notes	2018 R	2017 R
ASSETS			
Non-Current Assets		289 887 806	288 842 510
Property, Plant and Equipment	2	145 345 180	143 928 281
Investment Property	3	85 420 899	85 532 766
Intangible Assets	4	1 362 639	1 819 116
Investments	5	26 027	26 027
Employee Benefits	13	57 733 060	57 536 320
Current Assets		185 595 878	163 302 467
Inventory	7	2 567 785	3 131 451
Receivables from Exchange Transactions	8	16 099 551	12 941 537
Receivables from Non-exchange Transactions	9	100 556	100 556
Unpaid Transfers and Subsidies	17	-	-
Operating Lease Asset	6.1	18 833	32 445
Taxes	18	317 038	571 877
Current Portion of Non-Current Employee Benefits	13	4 108 443	3 805 368
Cash and Cash Equivalents	10,1	162 383 670	142 719 233
Total Assets		475 483 683	452 144 976
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		137 986 376	136 939 704
Long-term Borrowings	11	590 799	-
Non-current Provisions	12	-	-
Non-current Employee Benefits	13	137 395 577	136 939 704
Current Liabilities		58 567 586	42 262 723
Provisions	14	-	-
Current Employee Benefits	15	32 411 893	26 088 716
Trade and Other Payables from Exchange Transactions	16	16 864 948	13 567 781
Unspent Transfers and Subsidies	17	8 419 797	2 606 225
Taxes	18	-	-
Operating Lease Liability	6,2	13 658	-
Cash and Cash Equivalents	14.3	-	-
Current Portion of Long-term Borrowings	11	857 290	-
Total Liabilities		196 553 962	179 202 427
Net Assets		278 929 722	272 942 549
Capital Replacement Reserve	20	31 704 865	27 728 373
Accumulated Surplus/(Deficit)		247 224 857	245 214 177
Total Net Assets and Liabilities		475 483 683	452 144 976

GARDEN ROUTE DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 R
REVENUE			
Revenue from Non-exchange Transactions		159 236 939	151 246 744
Transfer Revenue		155 063 318	146 698 031
Government Grants and Subsidies	21	154 142 467	146 697 773
Public Contributions and Donations	22	920 850	258
Other Revenue		4 173 621	4 548 713
Actuarial Gains	13	4 173 621	4 548 713
Revenue from Exchange Transactions		236 183 151	187 464 624
Department of Transport - Roads Service Charges	24	206 563 793	159 611 440
Sales of Goods and Rendering of Services	25	14 699 021	11 886 118
Rent on Land	26	444 513	391 848
Rental of Facilities and Equipment	27	347 585	267 075
Interest Earned - External Investments	28	11 276 945	12 926 667
Interest Earned - Exchange Transactions	29	1 639 116	1 176 588
Licences and Permits	23	213 594	215 028
Operational Revenue	30	998 584	989 861
Total Revenue		395 420 090	338 711 368
EXPENDITURE			
Employee related costs	31	(202 820 676)	(172 819 773)
Remuneration of Councillors	32	(10 980 692)	(9 421 247)
Bad Debts Written Off		(3 527 609)	(3 937 518)
Contracted Services	33	(26 922 569)	(33 950 000)
Depreciation and Amortisation	34	(3 958 922)	(3 032 191)
Finance Costs	35	(79 372)	(427 346)
Inventory Consumed	7	(73 172 033)	(43 151 294)
Operating Leases		(975 205)	(704 085)
Transfers and Subsidies	36	(2 303 540)	(1 091 177)
Operational Costs	37	(56 825 148)	(57 707 793)
Total Expenditure		(381 565 766)	(326 242 424)
Operating Surplus/(Deficit) for the Year		13 854 323	12 468 945
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	7	(50 064)	1 110
Reversal of Impairment Loss/(Impairment Loss) on Receivables	38	(7 300 140)	(438 645)
Gains/(Loss) on Sale of Fixed Assets	39	(573 997)	(268 960)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	40	57 050	(73 431)
NET SURPLUS/(DEFICIT) FOR THE YEAR		5 987 172	11 689 019

GARDEN ROUTE DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	Capital Replacement Reserve R	Accumulated Surplus/ (Deficit) R	Total R
Balance at 1 July 2016	24 675 638	231 518 398	256 194 036
Correction of Error - note 42	-	5 059 494	5 059 494
Restated balance	24 675 638	236 577 893	261 253 530
Net Surplus/(Deficit) for the year	-	11 689 020	11 689 020
Net Surplus/(Deficit) previously reported	-	12 953 982	12 953 982
Effects of Correction of Errors - note 42		(1 264 962)	(1 264 962)
Transfer to/from CRR	8 873 371	(8 873 371)	-
Property, Plant and Equipment purchased	(5 820 635)	5 820 635	-
Capital Grants used to purchase PPE	-	-	-
Transfer to Housing Development Fund	-	-	-
Asset Disposals	-	-	-
Offsetting of depreciation	-	-	-
Balance at 30 June 2017	27 728 374	245 214 177	272 942 550
Restated balance	27 728 374	245 214 177	272 942 550
Net Surplus/(Deficit) for the year	-	5 987 172	5 987 172
Transfer to/from CRR	3 976 492	(3 976 492)	-
Property, Plant and Equipment purchased	-	-	-
Capital Grants used to purchase PPE	-	-	-
Transfer to Housing Development Fund	-	-	-
Asset Disposals	-	-	-
Offsetting of depreciation	-	-	-
Balance at 30 June 2018	31 704 866	247 224 857	278 929 723

GARDEN ROUTE DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 R	2017 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts		389 945 324	315 578 623
Taxation		-	-
Service Charges		-	-
Other Revenue		224 525 911	155 954 183
Government - Operating		154 142 467	146 697 773
Government - Capital		-	-
Interest		11 276 945	12 926 667
Dividends		-	-
Cash payments		(365 904 733)	(321 906 797)
Suppliers and Employees		(363 521 820)	(320 388 274)
Finance Charges		(79 372)	(427 346)
Transfers and Grants		(2 303 540)	(1 091 177)
Net Cash from Operating Activities	43	24 040 591	(6 328 174)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(5 266 062)	(5 820 634)
Proceeds on Disposal of Fixed Assets		-	-
Purchase of Investment Properties		-	-
Purchase of Intangible Assets		(58 362)	(359 876)
Purchase of Heritage Assets		-	-
Purchase of Agricultural Assets		-	-
Decrease/(Increase) in Non-Current Debtors		(499 815)	(169 070)
Decrease/(Increase) in Other Non-Current Receivables		-	-
Decrease/(Increase) in Non-Current Investments		-	-
Net Cash from Investing Activities		(5 824 239)	(6 349 580)
CASH FLOW FROM FINANCING ACTIVITIES			
Short term Loans		-	-
Borrowing - Long term/Refinancing		1 748 942	-
Increase/(Decrease) in Consumer Deposits		-	-
Repayment of Borrowing		(300 856)	-
Net Cash from Financing Activities		1 448 086	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		19 664 438	(12 677 754)
Cash and Cash Equivalents at the beginning of the year		142 719 233	155 396 985
Cash and Cash Equivalents at the end of the year	44	162 383 670	142 719 233
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		19 664 438	(12 677 752)

GARDEN ROUTE DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget		Actual Outcome	Actual Outcome as % of Final Budget
						R	R		
ASSETS									
Current Assets									
Cash	159 532 028	10 235 811	169 767 840	-	-	-	169 767 840	161 885 064	-4,64%
Call Investment Deposits	-	-	-	-	-	-	-	498 607	100,00%
Consumer Debtors	3 620 000	(3 620 000)	-	-	-	-	-	-	0,00%
Other Debtors	2 181 000	-	2 181 000	-	-	-	2 181 000	16 535 979	658,18%
Current Portion of Employee Benefits	3 227 000	-	3 227 000	-	-	-	3 227 000	4 108 443	27,31%
Inventory	3 433 000	-	3 433 000	-	-	-	3 433 000	2 567 785	-25,20%
47.2.1	171 993 028	6 615 811	178 608 840	-	-	-	178 608 840	185 595 878	3,91%
Non-Current Assets									
Employee Benefits	59 717 000	-	59 717 000	-	-	-	59 717 000	57 733 060	-3,32%
Investments	26 000	-	26 000	-	-	-	26 000	26 027	0,10%
Investment Property	85 712 000	-	85 712 000	-	-	-	85 712 000	85 420 899	-0,34%
Property, Plant and Equipment	141 185 430	4 961 000	146 146 430	-	-	-	146 146 430	145 345 180	-0,55%
Intangible Assets	1 783 643	-	1 783 643	-	-	-	1 783 643	1 362 639	-23,60%
47.2.2	288 424 073	4 961 000	293 385 073	-	-	-	293 385 073	289 887 806	-1,19%
TOTAL ASSETS									
	460 417 101	11 576 811	471 993 913	-	-	-	471 993 913	475 483 683	0,74%
LIABILITIES									
Current Liabilities									
Bank Overdraft	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	857 290	100,00%
Consumer Deposits	-	-	-	-	-	-	-	-	-
Trade and Other Payables	39 006 000	5 572 342	44 578 342	-	-	-	44 578 342	25 298 403	-43,25%
Provisions	28 300 000	-	28 300 000	-	-	-	28 300 000	32 411 893	14,53%
47.2.3	67 306 000	5 572 342	72 878 342	-	-	-	72 878 342	58 567 586	-19,64%
Non-Current Liabilities									
Borrowing	-	-	-	-	-	-	-	590 799	100,00%
Provisions	141 267 000	12 676 433	153 943 433	-	-	-	153 943 433	137 395 577	-10,75%
47.2.4	141 267 000	12 676 433	153 943 433	-	-	-	153 943 433	137 986 376	-10,37%
TOTAL LIABILITIES									
	208 573 000	18 248 775	226 821 775	-	-	-	226 821 775	196 553 962	-13,34%
NET ASSETS									
Accumulated Surplus/(Deficit)	268 744 022	(51 917 884)	216 826 138	-	-	-	216 826 138	247 224 857	14,02%
Reserves	28 346 000	-	28 346 000	-	-	-	28 346 000	31 704 865	11,85%
47.2.5	297 090 022	(51 917 884)	245 172 138	-	-	-	245 172 138	278 929 722	13,77%

GARDEN ROUTE DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
		R	R	R	R	R	R	2018 R	%
REVENUE									
	Rental of Facilities and Equipment	3 506 944	-	3 506 944	-	-	3 506 944	792 097	-77,41%
	Interest Earned - External Investments	11 123 700	960 797	12 084 497	-	-	12 084 497	11 276 945	-6,68%
	Interest Earned - Outstanding Debtors	845 854	-	845 854	-	-	845 854	1 639 116	93,78%
	Licences and Permits	313 700	-	313 700	-	-	313 700	213 594	-31,91%
	Agency Services	15 300 000	-	15 300 000	-	-	15 300 000	17 372 717	13,55%
	Transfers Recognised - Operational	152 945 000	7 600 000	160 545 000	-	-	160 545 000	155 063 318	-3,41%
	Other Revenue	161 193 810	30 310 478	191 504 288	-	-	191 504 288	209 062 302	9,17%
	Gains on Disposal of PPE	-	-	-	-	-	-	-	-
47.2.6	Total Revenue (excluding capital transfers and contributions)	345 229 008	38 871 275	384 100 283	-	-	384 100 283	395 420 090	2,95%
EXPENDITURE									
	Employee Related Costs	118 903 045	9 847 504	128 750 549	-	-	128 750 549	202 820 676	57,53%
	Remuneration of Councilors	10 815 151	-	10 815 151	-	-	10 815 151	10 980 692	1,53%
	Debt Impairment	1 121 544	400 000	1 521 544	-	-	1 521 544	10 827 749	611,63%
	Depreciation and Asset Impairment	3 069 970	(9 813)	3 060 157	-	-	3 060 157	3 901 872	27,51%
	Finance Charges	-	-	-	-	-	-	79 372	100,00%
	Bulk Purchases	-	-	-	-	-	-	-	-
	Other Materials	-	-	-	-	-	-	-	-
	Contracted Services	15 896 131	7 433 441	23 329 572	-	-	23 329 572	26 922 569	15,40%
	Transfers and Grants	-	-	-	-	-	-	-	-
	Other Expenditure	192 958 152	18 984 023	211 942 174	-	-	211 942 174	133 899 988	-36,82%
	Loss on Disposal of PPE	-	-	-	-	-	-	-	-
47.2.7	Total Expenditure	342 763 993	36 655 154	379 419 148	-	-	379 419 148	389 432 918	2,64%
	Surplus/(Deficit)	2 465 014	2 216 121	4 681 135	-	-	4 681 135	5 987 172	27,90%
	Transfers Recognised - Capital	-	-	-	-	-	-	-	-
	Contributions Recognised - Capital	-	-	-	-	-	-	-	-
	Contributed Assets	-	-	-	-	-	-	-	-
	Surplus/(Deficit) after Capital Transfers & Contributions	2 465 014	2 216 121	4 681 135	-	-	4 681 135	5 987 172	27,90%
	Surplus/(Deficit) for the year	2 465 014	2 216 121	4 681 135	-	-	4 681 135	5 987 172	27,90%

GARDEN ROUTE DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget		Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	2018		Actual Outcome	Actual Outcome as % of Final Budget
			R	R			R	R		
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
	180 314 454	28 010 478	208 324 932	-	-	-	208 324 932	224 525 911		7,78%
Other Revenue										
Government - Operating	152 945 000	380 000	153 325 000	-	-	-	153 325 000	154 142 467		0,53%
Government - Capital	-	-	-	-	-	-	-	-		0,00%
Interest	11 969 554	960 797	12 930 351	-	-	-	12 930 351	11 276 945		-12,79%
Payments										
Suppliers and Employees	(338 572 479)	(16 897 464)	(355 469 943)	-	-	-	(355 469 943)	(365 825 360)		2,91%
Finance costs	-	-	-	-	-	-	-	(79 372)		100,00%
Transfers and Grants	-	-	-	-	-	-	-	-		0,00%
Net Cash from/(used) Operating Activities										
	6 656 528	12 453 811	19 110 340	-	-	-	19 110 340	24 040 591		25,80%
CASH FLOW FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-		
Decrease/(Increase) in Non-Current Debtors	-	-	-	-	-	-	-	(499 815)		100,00%
Decrease/(Increase) in Other Non-Current Receivables	-	-	-	-	-	-	-	-		
Decrease/(Increase) in Non-Current Investments	-	-	-	-	-	-	-	-		
Payments										
Capital Assets	(2 458 500)	(2 218 000)	(4 676 500)	-	-	-	(4 676 500)	(5 324 424)		13,85%
Net Cash from/(used) Investing Activities										
47.2.8	(2 458 500)	(2 218 000)	(4 676 500)	-	-	-	(4 676 500)	(5 824 239)		24,54%
CASH FLOW FROM FINANCING ACTIVITIES										
Receipts										
Short Term Loans	-	-	-	-	-	-	-	-		
Borrowing long term/refinancing	-	-	-	-	-	-	-	1 748 942		100,00%
Increase/(Decrease) in Consumer Deposits	-	-	-	-	-	-	-	-		
Payments										
Repayment of Borrowing	-	-	-	-	-	-	-	(300 856)		100,00%
Net Cash from/(used) Financing Activities										
	-	-	-	-	-	-	-	1 448 086		100,00%
NET INCREASE/(DECREASE) IN CASH HELD										
Cash and Cash Equivalents at the year begin:	4 198 028	10 235 811	14 433 840	-	-	-	14 433 840	19 664 438		36,24%
	155 334 000	-	155 334 000	-	-	-	155 334 000	142 719 233		-8,12%
Cash and Cash Equivalents at the year end:	159 532 028	10 235 811	169 767 840	-	-	-	169 767 840	162 383 670		-4,35%

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) and also in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand. Financial values are rounded to the nearest one Rand.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2017 audited amounts is set out in note 41 of the annual financial statements.

1.5. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the annual financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.6. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements. Material differences are being defined by Management as 10% of a specific line-item with a minimum of R500,000.

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2017/18 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2019.

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 20 (Original – Jun 2011)	<p><u>Related Party Disclosure</u></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt some of the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	1 April 2019
GRAP 32 (Original – Aug 2013)	<p><u>Service Concession Arrangements: Grantor</u></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	1 April 2019
GRAP 108 (Original – Sept 2013)	<p><u>Statutory Receivables</u></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	1 April 2019
GRAP 109	<p><u>Accounting by Principles and Agents</u></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	1 April 2019
GRAP 110	<p><u>Living and non-living resources</u></p> <p>The objective of this Standard is prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure</p>	1 April 2020

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	requirements for non-living resources. No significant impact expected as no such transactions or events are expected in the foreseeable future.	
IGRAP 17	<u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u> The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. No such transactions or events are expected in the foreseeable future.	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.8. RESERVES

1.8.1. Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

1.9. LEASES

1.9.1. Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9.2. Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.10. UNSPENT TRANSFERS AND SUBSIDIES

Conditional transfers and subsidies are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional transfers and subsidies are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions. Unspent conditional grant are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional transfers and subsidies are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.11. UNPAID CONDITIONAL TRANSFERS AND SUBSIDIES

Unpaid conditional transfers and subsidies are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional transfers and subsidies are recognised as an asset when the grant is receivable.

1.12. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.13. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.13.1. Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.13.2. Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.13.3. Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as financial cost upon valuation as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.13.4. Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee at year-end.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full but is limited to a maximum of 48 days. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

1.13.5. Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year-end is based on bonus accrued at year-end for each employee.

1.13.6. Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees.

1.13.7. Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors.

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The Municipality operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.13.8. Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1. Initial Recognition and Measurement

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.15.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.15.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets to the residual value of the asset, where applicable. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads Infrastructure	16 – 36	Computer equipment	1 – 34
		Furniture and Office Equipment	1 - 37
<u>Community</u>		Machinery and Equipment	1 - 36
Resorts	16 – 36	Transport Assets	7 - 37
		Municipal Offices	6 - 102

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.15.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.15.5. Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

1.16. INTANGIBLE ASSETS

1.16.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.16.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

separately. The estimated useful lives, residual values and amortisation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	4 - 17

1.16.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17. INVESTMENT PROPERTY

1.17.1. Initial Recognition

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.17.3. Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	10 – 102

1.17.4. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18. HERITAGE ASSETS

1.18.1. Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.18.2. Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.18.3. Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been

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recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.18.4. De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits or service potential expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1. Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

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An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2. Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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- or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
 - A decision to halt the construction of the asset before it is complete or in a usable condition;
 - Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. INVENTORIES

1.20.1. Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.20.2. Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

1.21. FINANCIAL INSTRUMENTS

Financial instruments recognised in the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.21.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.21.2. Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, loans and receivables at cost and loans and receivables at amortised cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.21.2.1. Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

1.21.2.2. Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.21.2.3. Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.21.2.4. Non-Current Investments

Investments which include fixed deposits invested in registered commercial banks, are stated at cost or amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

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On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21.3. De-recognition of Financial Instruments

1.21.3.1. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

1.21.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.21.4. Impairment of Financial Assets

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality, after the appropriate legislative processes have been followed. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.21.5. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.22. STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables generally arise from non-exchange transactions.

1.22.1. Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.22.2. Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.22.3. Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
 - (i) derecognise the receivable; and
 - (ii) recognise separately any rights and obligations created or retained in the transfer.

1.23. REVENUE

1.23.1. Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Fine Revenue constitutes spot fines.- Fine revenue is recognised when the spot fine is issued. In cases where fines are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset.

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Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

1.23.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Interest revenue is recognised using the effective interest rate method.

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Rental from Holiday Resorts is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality, as well as the Cancellation Policy of the municipality. The Cancellation Policy has the following refund principles:

- Less than 72 hours: 0% refund of the fees paid.
- Less than 14 days: 25% refund of the fees paid.
- Less than 1 month: 50% refund of the fees paid.
- More than 1 month: 90% refund of the fees paid.

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Revenue from the sale of goods is recognised when:

- Substantially all the risks and rewards in those goods are passed to the consumer; and
- The municipality seizes managerial involvement and control of the goods; and
- The amount of the revenue can be measured reliably; and
- It is probable that economic benefits or service potential associated with the transaction will flow to the municipality; and
- The costs incurred or to be incurred can be measured reliably.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.24. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
- has control or joint control over the Municipality.
 - has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same Municipality (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an Municipality of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an Economic Entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

-
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
 - (d) the senior management team of the Municipality, including the accounting officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.27. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the annual financial statements:

1.29.1. Post-retirement medical obligations, Long service awards and Ex-gratia gratuities

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 13 of the annual financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.29.2. Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.29.3. Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

1.29.4. Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

1.29.5. Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1.29.6. Revenue Recognition

Accounting Policy 1.24.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.29.7. Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1.29.8. Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year-end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

1.29.9. Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.30. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.31. CAPITAL COMMITMENTS

Capital commitments disclosed in the annual financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.32. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the annual financial statements are authorised for issue. Two types of events can be identified:

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

-
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
 - those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2.1 30 JUNE 2018

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

30 JUNE 2018 (Continue)

	Cost/Revaluation					Accumulated Depreciation and Impairment Losses							Carrying Value				
	Opening Balance	Class Transfers	Correction of Error	Additions	Under Construction	Transfers	Disposals/ Impairment	Closing Balance	Opening Balance	Class Transfers	Correction of Error	Depreciation		Impairment	Reversal of Impairment	Disposals	Closing Balance
Other Assets	250,932,938		-	-	-	-	-	250,932,938	157,078,000		-	-	-	-	-	157,078,000	93,854,938
Other Land																	
Operational Buildings	51,629,979		-	58,576	-	-	-	51,688,555	15,560,538		-	805,317	-	-	-	16,365,855	35,322,700
Municipal Offices	15,324,710	(814)	-	678,538	-	-	-	14,474,779	10,427,000		-	1,091,031	-	-	(1,304,088)	10,213,943	4,260,837
Computer Equipment	8,298,431		-	422,115	-	-	-	8,476,662	5,592,548		-	446,320	-	(40,210)	(210,459)	5,786,198	2,686,464
Furniture and Office Equipment	4,130,829	814	-	959,302	-	-	-	5,048,144	3,046,144		-	234,377	-	(14,592)	(20,851)	3,245,381	1,802,764
Machinery and Equipment	10,485,233		-	1,279,338	-	-	-	11,362,234	6,053,760		-	425,093	-	(2,246)	(107,282)	6,369,323	4,992,911
Transport Assets	340,802,119		-	3,397,869	-	-	-	341,983,312	197,758,292		-	3,002,137	-	(57,050)	(1,642,680)	199,060,699	142,922,613
Leases																	
Computer Equipment	-		-	1,748,944	-	-	-	1,748,944	-		-	275,157	-	-	-	275,157	1,473,787
	-		-	1,748,944	-	-	-	1,748,944	-		-	275,157	-	-	-	275,157	1,473,787
Total	342,061,474		-	5,266,062	-	-	-	345,110,860	198,133,193	-	-	3,332,216	-	(57,050)	(1,642,680)	199,765,680	145,345,180

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2.2 30 JUNE 2017

	Cos/Revaluation					Accumulated Depreciation and Impairment Losses					Carrying Value				
	Opening Balance	Class Transfers	Correction of Error	Additions	Under Construction	Transfers	Disposals/ Impairment	Closing Balance	Opening Balance	Class Transfers		Correction of Error	Depreciation	Reversal of Impairment	Disposals
Land and Buildings															
Land	250,932,938	(250,932,938)	-	-	-	-	-	-	157,078,000	(157,078,000)	-	-	-	-	-
Buildings	48,595,770	(48,595,770)	-	-	-	-	-	-	14,835,459	(14,835,459)	-	-	-	-	-
	299,528,707	(299,528,707)	-	-	-	-	-	-	171,913,459	(171,913,459)	-	-	-	-	-
Infrastructure															
Roads	104,489	-	-	-	-	-	-	104,489	39,643	-	-	4,286	-	-	43,929
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Solid Waste	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Coastal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Information and Communication	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	104,489	-	-	-	-	-	-	104,489	39,643	-	-	4,286	-	-	43,929
Community Assets															
Community Facilities	-	1,101,242	-	53,624	-	-	-	1,154,865	288,108	(288,108)	-	42,865	-	-	330,972
Resorts	1,101,242	(1,101,242)	-	-	-	-	-	-	288,108	(288,108)	-	-	-	-	-
Caravan Parks	1,101,242	-	-	53,624	-	-	-	1,154,865	288,108	-	-	42,865	-	-	330,972

GARDEN ROUTE DISTRICT MUNICIPALITY

40 JUNE 2017 (Continue)

	Cost/Revaluation						Accumulated Depreciation and Impairment Losses					Carrying Value				
	Opening Balance	Class Transfers	Correction of Error	Additions	Under Construction	Transfers	Disposals/Impairment	Closing Balance	Class Transfers	Correction of Error	Depreciation		Impairment	Reversal of Impairment	Disposals	Closing Balance
Other Assets																
Operational Buildings	-	250,932,938	-	-	-	-	-	250,932,938	-	-	-	-	-	-	157,078,000	93,854,938
Municipal Offices	-	48,595,770	-	3,034,209	-	-	-	51,629,979	-	-	-	-	-	-	-	-
Computer Equipment	8,751,607	4,832,105	-	1,790,019	-	-	(49,021)	15,324,710	-	-	725,079	-	-	-	15,560,538	36,069,440
Furniture and Office Equipment	-	7,748,255	-	616,157	-	-	(65,981)	8,298,431	-	-	722,153	5,849	-	(19,022)	10,427,000	4,897,709
Machinery and Equipment	-	3,950,337	-	189,720	-	-	(3,228)	4,130,829	-	-	374,094	46,722	-	(54,273)	5,592,548	2,705,883
Motor Vehicles	-	-	-	-	-	-	-	-	-	-	219,986	17,276	-	(4,075)	3,046,445	1,084,384
Fire Engines	5,080,706	(5,080,706)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	5,773,627	(5,773,627)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	2,920,871	(2,920,871)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and Fixings	388,401	(4,827,384)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disaster Management Equipment	4,832,105	(4,832,105)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Equipment	1,712,577	(1,712,577)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant and Equipment	1,839,359	(1,839,359)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transport Assets	-	10,854,333	-	136,905	-	-	(506,005)	10,485,233	-	-	439,588	3,584	-	(283,906)	6,053,760	4,431,473
Leases	36,136,636	299,528,707	-	5,767,010	-	-	(630,234)	340,602,119	-	-	2,480,901	73,431	-	(381,275)	197,758,292	143,043,827
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Machinery and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transport Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
total	336,871,075	-	-	5,820,634	-	-	(630,234)	342,061,474	-	-	2,528,052	73,431	-	(381,275)	198,133,193	143,928,281

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R	
2.3 Expenditure incurred to repair and maintain Property, Plant and Equipment:			
Employee related costs	-	-	
Other materials	451,478	143,724	
Contracted Services	2,576,534	2,441,709	
Other Expenditure	117,780	1,096,884	
Total Repairs and Maintenance	3,145,791	3,682,318	
2.4 Assets pledged as security:			
Leased Property, Plant and Equipment of R 1,466,144 is secured for leases as set out in Note 11.			
2.5 Third party payments received for losses incurred:			
Payments received (Excluding VAT)	40,243	213,141	
Carrying value of assets written off/lost	(326,921)	(268,960)	
Surplus/(Deficit)	(286,678)	(55,818)	
2.6 Impairment losses of Property, Plant and Equipment			
Impairment losses on Property, Plant and Equipment recognised in Statement of Financial Performance are as follows:			
Other	-	73,431	
Total Impairment Losses	-	73,431	
2.7 Reversal of Impairment losses of Property, Plant and Equipment			
Reversal of Impairment losses on Property, Plant and Equipment recognised in statement of financial performance are as follows:			
Other	57,050	-	
Total Reversal of Impairment losses	57,050	-	
2.8 Effect of changes in accounting estimates			
The effect of a change in accounting estimate will have on the current period and subsequent periods.			
	2018 R	2019 R	2020 R
Effect on Property, plant and equipment	18,705	(293,120)	(605,145)
2.9 Contractual commitments for acquisition of Property, Plant and Equipment:	2018 R	2017 R	
Approved and contracted for:	-	-	
Infrastructure	-	-	
Community	-	-	
Other	-	-	
Total	-	-	
This expenditure will be financed from:			
External Loans	-	-	
Capital Replacement Reserve	-	-	
Government Grants	-	-	
Own Resources	-	-	
District Council Grants	-	-	
Total	-	-	

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
3. INVESTMENT PROPERTY		
3.1 Net Carrying amount at 1 July	85,532,766	85,644,951
Cost	173,315,415	173,315,415
Accumulated Depreciation	(2,282,170)	(2,169,985)
Accumulated Impairment Loss	(85,500,479)	(85,500,479)
Depreciation for the year	(111,867)	(112,185)
Net Carrying amount at 30 June	85,420,899	85,532,766
Cost	173,315,415	173,315,415
Accumulated Depreciation	(2,394,037)	(2,282,170)
Accumulated Impairment Loss	(85,500,479)	(85,500,479)
3.2 Revenue from Investment Property		
Revenue derived from the rental of Investment Property	534,842	493,046

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Additional disclosure matter

The Municipality embarked on a process to dispose some of its land and buildings located within the District. Some of the local (B) municipalities have disputed that these properties can in fact be disposed since it was supposed to be transferred to them because the assets were supposed to follow the function and since Garden Route are not fulfilling some of these anymore the local municipalities are claiming these properties. The Municipality intends to dispute this claim and are awaiting the outcome of the technical query lodged during 2014/2015.

The carrying value of possible affected properties as at the reporting date is estimated at:

- Land - Investment Properties 2018: R17 400 000 (2017: R29 040 000)
- Buildings - Investment Properties 2018: R0 (2017: R718 050)

4. INTANGIBLE ASSETS		
4.1 Net Carrying amount at 1 July	1,819,116	1,851,194
Cost	5,390,572	5,030,696
Accumulated Amortisation	(3,451,061)	(3,059,107)
Accumulated Impairment Loss	(120,395)	(120,395)
Additions	58,362	359,876
Amortisation	(514,839)	(391,954)
Net Carrying amount at 30 June	1,362,639	1,819,116
Cost	5,448,934	5,390,572
Accumulated Amortisation	(3,965,900)	(3,451,061)
Accumulated Impairment Loss	(120,395)	(120,395)

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

5. INVESTMENTS		
Unlisted	26,027	26,027
KKLK shares and Loan Account	26,027	26,027
Total Investments	26,027	26,027

Listed shares are held in public companies. No specific maturity dates and interest rates are applicable to those shares.

Unlisted investments comprise of the following. Valuations of investments supplied by council are:

KKLK shares	26,027	26,027
	26,027	26,027

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
6. OPERATING LEASE ARRANGEMENTS		
6.1 The Municipality as Lessee		
Operating Lease Asset	18,833	32,445
<u>Reconciliation</u>		
Balance at the beginning of the year	32,445	57,256
Movement during the year	(13,612)	(24,811)
Balance at the end of the year	18,833	32,445
At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:		
Up to 1 Year	18,833	19,041
1 to 5 Years	-	13,404
More than 5 Years	-	-
Total Operating Lease Arrangements	18,833	32,445
6.2 The Municipality as Lessor		
Operating Lease Liability	13,657	-
<u>Reconciliation</u>		
Balance at the beginning of the year	-	1,170
Movement during the year	13,657	(1,170)
Balance at the end of the year	13,657	-
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	13,657	-
1 to 5 Years	-	-
More than 5 Years	-	-
Total Operating Lease Arrangements	13,657	-
7. INVENTORY		
Consumables	2,567,785	3,131,451
Total Inventory	2,567,785	3,131,451
7.1 Inventories recognised as an expense during the year:		
Roads Function - Consumables	71,965,273	41,280,474
Consumables	1,005,884	562,729
Materials and Supplies	200,876	1,308,091
Total	73,172,033	43,151,294
7.2 Inventory surpluses / (written down due to losses) as identified during the annual stores counts:		
Consumables	(50,064)	1,110
Materials and Supplies	-	-
Total	(50,064)	1,110
No inventories were pledged as security for liabilities.		

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
8. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Property Rentals	1,669,235	1,042,168
Balance previously reported	-	1,004,668
Correction of Rental Income - Note 42.1	-	37,500
Ambulance and Fire Fighting Fees	18,349,695	14,928,703
Other Arrears	3,720,411	2,723,260
Government subsidies: Department of Transport - Roads	10,953,897	5,179,142
Roads - Other Arrears	1,337,278	373,113
Total: Receivables from exchange transactions (before provision)	36,030,515	24,248,385
Less: Provision for Debt Impairment	(19,930,964)	(11,304,849)
Total: Receivables from exchange transactions (after provision)	16,099,551	12,941,537
Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.		
The fair value of receivables approximate their carrying value.		
<u>Property Rentals: Ageing</u>		
Current (0 - 30 days)	129,985	-
31 - 60 Days	176,695	54,959
61 - 90 Days	47,475	19,161
+ 90 Days	1,315,066	930,547
Total	1,669,222	1,004,667
<u>Ambulance and Fire Fighting Fees: Ageing</u>		
Current (0 - 30 days)	1,194,937	-
31 - 60 Days	812,191	3,426,463
61 - 90 Days	1,267,184	-
+ 90 Days	15,075,382	5,922,741
Total	18,349,695	9,349,204
<u>Other Arrears: Ageing</u>		
Current (0 - 30 days)	397,794	220,067
31 - 60 Days	193,867	1,922,670
61 - 90 Days	78,918	29,087
+ 90 Days	3,049,832	5,020,128
Total	3,720,411	7,191,952
<u>(Total): Ageing</u>		
Current (0 - 30 days)	1,722,716	220,067
31 - 60 Days	1,182,753	5,404,092
61 - 90 Days	1,393,578	48,248
+ 90 Days	19,440,280	11,873,416
Total	23,739,327	17,545,823
<u>Reconciliation of Provision for Debt Impairment</u>		
<u>Garden Route District Municipality</u>		
Balance at beginning of year	11,304,849	10,846,371
Contribution to provision	7,072,798	458,477
VAT on provision	1,325,975	-
Reversal of provision	-	-
Balance at end of year	19,703,621	11,304,849
<u>Roads Function</u>		
Balance at beginning of year	-	-
Contribution to provision	227,342	-
Balance at end of year	227,342	-
Total Balance at end of year	19,930,964	11,304,849

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

8. RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

Ageing of amounts past due but not impaired:

	2018 R	2017 R
1 month past due	134,812	5,142,410
2+ months past due	1,146,150	5,263,811
	<u>1,280,962</u>	<u>10,406,221</u>

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

9. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Insurance Claims	100,556	100,556
	<u>100,556</u>	<u>100,556</u>
<u>Less:</u> Provision for Debt Impairment	-	-
Total Receivables from non-exchange transactions	<u>100,556</u>	<u>100,556</u>

The fair value of other receivables approximate their carrying value.

Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

10. BANK ACCOUNTS

10.1 Cash and Cash Equivalents

Current Accounts	129,440,177	137,670,300
Roads - Bank Account	32,429,004	3,898,308
Call Deposits and Investments	498,607	1,134,742
Cash On-hand	15,883	15,883
Total Cash and Cash Equivalents - Assets	<u>162,383,670</u>	<u>142,719,233</u>

10.2 Short-term Investments

Call Deposits		
Total Short-term Investments	<u>-</u>	<u>-</u>

10.3 Liabilities

Current Accounts		
Total Cash and Cash Equivalents - Liabilities	<u>-</u>	<u>-</u>

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Included in other deposits and bank balances are an amount of 2018: R8,419,796 (2017: R2,606,225) which is attributable to unspent grants and subsidies; and 2018: R31,704,866 (2017: R27,728,374) which is attributable to the Capital Replacement Reserve.

The municipality has the following bank accounts:

Current Accounts

Standard Bank Limited - Account Number 06 083 263 000 0 (Primary Bank Account):	129,440,177	137,670,300
Standard Bank Limited - Account Number 06 083 263 500 0 (Roads Account):	32,428,004	3,898,308
	<u>161,868,181</u>	<u>141,568,608</u>

Call Deposits and Investments

ABSA Bank Limited - Account Number 91 8226 2703 (Cash Account):	9,247	8,882
Standard Bank Limited - Account Number 401719790 (Cash Account):	337,925	984,111
Standard Bank Limited - Account Number 48872744847 (Cash Account):	151,435	141,749
	<u>498,607</u>	<u>1,134,742</u>

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

10.	BANK ACCOUNTS (CONTINUED)		2018	2017	
			R	R	
	Details of current accounts are as follow:				
	Standard Bank Limited - Account Number 06 083 263 000 0 (Primary Bank Account):				
	Cash book balance at beginning of year		137,670,300	98,403,822	
	Cash book balance at end of year		129,440,177	137,670,300	
	Bank statement balance at beginning of year		137,590,406	98,634,245	
	Bank statement balance at end of year		129,445,527	137,590,406	
	Standard Bank Limited - Account Number 06 083 283 500 0 (Roads Account):				
	Cash book balance at beginning of year		3,898,308	11,493,654	
	Cash book balance at end of year		32,428,004	3,898,308	
	Bank statement balance at beginning of year		3,711,227	11,335,422	
	Bank statement balance at end of year		32,263,342	3,711,227	
	Details of call investment accounts are as follow:				
	ABSA Bank Limited - Account Number 91 8226 2703 (Cash Account):				
	Cash book balance at beginning of year		8,882	8,454	
	Cash book balance at end of year		9,247	8,882	
	Bank statement balance at beginning of year		8,882	8,454	
	Bank statement balance at end of year		9,247	8,882	
	Standard Bank Limited - Account Number 48872744847 (Cash Account):				
	Cash book balance at beginning of year		141,749	133,683	
	Cash book balance at end of year		151,435	141,749	
	Bank statement balance at beginning of year		141,749	133,683	
	Bank statement balance at end of year		151,435	141,749	
	Standard Bank Limited - Account Number 401719790 (Cash Account):				
	Cash book balance at beginning of year		984,111	-	
	Cash book balance at end of year		337,925	984,111	
	Bank statement balance at beginning of year		984,111	-	
	Bank statement balance at end of year		337,925	984,111	
11.	LONG-TERM BORROWINGS				
	Capitalised Lease Liability - At amortised cost		1,448,088	-	
			1,448,088	-	
	Less: Current Portion transferred to Current Liabilities		857,290	-	
	Annuity Loans - At amortised cost				
	Capitalised Lease Liability - At amortised cost		857,290		
	Total Long-term Borrowings		590,798	-	
11.1	The obligations under finance leases are scheduled below:				
			2018	Minimum payments	
			R	2017	
				R	
	Amounts payable under finance leases:				
	Payable within one year		965,467	-	
	Payable within two to five years		613,201	-	
	Payable after five years		-	-	
			1,578,668	-	
	Less: Future finance obligations		(130,580)	-	
	Present value of finance lease obligations		1,448,088	-	
	The capitalised lease liability consist out of the following contracts:				
	Supplier	Description of leased item	Effective Interest rate	Annual Escalation	
				Lease Term	
				Maturity Date	
	Telkom	Mobile Communication Devices	Prima rate	None	
				24 Months	
				2020/06/14	
	Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.				

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
12. NON-CURRENT PROVISIONS		
Provision for Alleviation of Alien Vegetation on Council Properties	-	-
Balance previously reported	-	2,942,280
Correction of provision for Alien Vegetation - Note 42.2	-	(2,942,280)
Total Non-current Provisions	-	-
12.1 <u>Alleviation of Alien Vegetation on Council Properties</u>		
Balance 1 July	-	2,942,280
Correction of provision for Alien Vegetation - Note 42.2	-	(2,942,280)
Balance 30 June	-	-
13. NON-CURRENT EMPLOYEE BENEFITS		
Provision for Post Retirement Health Care Benefits	76,304,093	76,483,324
Roads - Provision for Post Retirement Health Care Benefits	55,105,327	55,129,352
Provision for Ex-Gratia Pension Benefits	122,168	196,813
Roads - Provision for Ex-Gratia Pension Benefits	414,764	436,092
Provision for Long Service Awards	8,351,859	7,513,903
Roads - Provision for Long Service Awards	6,321,412	5,776,244
Total Non-current Employee Benefits	146,619,623	145,635,728
Less: Transfer of Current Portion to Current Provisions - Note 15	(9,224,046)	(8,696,024)
	137,395,577	136,939,704
<u>Employee Benefits - Receivables (Note 13.5)</u>		
Included in the above provision for Employee Benefits are the following amounts receivable from the Department of Transport with regards to employee benefits:		
Roads - Provision for Post Employment Health Care Benefits (Note 13.5)	55,105,327	55,129,352
Roads - Provision for Ex-Gratia Pension Benefits (Note 13.5)	414,764	436,092
Roads - Provision for Long Service Leave Awards (Note 13.5)	6,321,412	5,776,244
	61,841,503	61,341,688
Less: Short Term Portion Transferred to Current Employee Benefits Receivable (Note 13.5)	(4,108,443)	(3,805,368)
	57,733,060	57,536,320
<u>Post Retirement Health Care Benefits</u>		
Balance 1 July	131,612,674	130,979,680
Contribution for the year	15,088,400	14,914,413
Expenditure for the year	(6,826,916)	(5,833,044)
Actuarial Loss/(Gain)	(8,464,738)	(8,448,375)
Total provision 30 June	131,409,420	131,612,674
Less: Transfer of Current Portion to Current Provisions - Note 15	(6,957,208)	(6,826,916)
Balance 30 June	124,452,212	124,785,758
<u>Ex-Gratia Pensions</u>		
Balance 1 July	632,904	786,018
Contribution for the year	44,048	57,014
Expenditure for the year	(138,283)	(163,979)
Actuarial Loss/(Gain)	(1,737)	(46,149)
Total provision 30 June	536,932	632,904
Less: Transfer of Current Portion to Current Provisions - Note 15	(119,772)	(138,283)
Balance 30 June	417,160	494,621

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<u>Long Service Awards</u>		
Balance 1 July	13,390,147	12,698,001
Contribution for the year	1,871,284	1,949,847
Expenditure for the year	(1,730,825)	(768,904)
Actuarial Loss/(Gain)	1,142,665	(488,797)
Total provision 30 June	14,673,271	13,390,147
Less: Transfer of Current Portion to Current Provisions - Note 15	(2,147,066)	(1,730,825)
Balance 30 June	12,526,205	11,659,322

13.1 **Provision for Post Retirement Health Care Benefits**

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	262	271
In-service (employee) non-members	-	-
Continuation members (e.g. Retirees, widows, orphans)	160	163
Total Members	422	434

The liability in respect of past service has been estimated to be as follows:

In-service members	25,022,841	23,575,497
Roads - In-service members	26,054,520	24,784,249
Continuation members	50,249,573	52,907,829
Roads - Continuation members	30,082,486	30,345,101
Total Liability	131,409,420	131,612,676

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 R	2015 R	2014 R
In-service members	24,562,583	27,765,009	24,979,068
Roads - In-service members	25,619,998	25,100,227	22,843,458
In-service non-members			
Continuation members	51,101,895	42,809,857	36,394,962
Roads - Continuation members	29,695,204	26,575,338	23,157,283
Total Liability	130,979,680	122,250,431	107,374,771

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas
Hosmed
LA Health
Key Health, and
SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R2 755 783, whereas the Interest Cost for the next year is estimated to be R12 135 307.

	2018 %	2017 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	9.48%	9.52%
Health Care Cost Inflation Rate	7.30%	7.80%
Net Effective Discount Rate	2.03%	1.60%
ii) Mortality rates		
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.		
iii) Normal retirement age		
The normal retirement age for employees of the municipality is 65 years. It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of ill-health, early and late retirement.		

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

iv) Expected rate of salary increases

2017/2018 - Average CPI (Feb 2016 – Jan 2017) + 1 per cent

The three-year Salary and Wage Collective Agreement ends on 30 June 2018.

	2018 R	2017 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	75,272,414	76,483,326
Roads Function - Present value of fund obligations	56,137,006	55,129,350
Net liability/(asset)	131,409,420	131,612,676
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	131,612,674	130,979,680
Total expenses	8,261,484	9,081,369
Current service cost	2,880,039	3,435,209
Interest Cost	12,208,361	11,479,204
Benefits Paid	(6,826,916)	(5,833,044)
Actuarial (gains)/losses	(8,464,738)	(8,448,375)
Present value of fund obligation at the end of the year	131,409,420	131,612,674

Sensitivity Analysis on the Accrued Liability on 30 June 2018

	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Assumption			
Central Assumptions	51.077	80.332	131.409

The effect of movements in the assumptions are as follows:

	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Assumption					
Health care inflation	1%	61.366	88.241	149.607	14.00%
Health care inflation	-1%	42.885	73.526	116.411	-11.00%
Post-retirement mortality	-1 year	52.568	83.395	135.963	3.00%
Average retirement age	-1 year	54.904	80.332	135.236	3.00%
Continuation of membership at retirement	-10%	45.654	80.332	125.986	-4.00%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2018

	Current Service Cost (R)	Interest Cost (R)	Total (R)
Assumption			
Central Assumptions	2,880,000	12,208,400	15,088,400

The effect of movements in the assumptions are as follows:

	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Assumption					
Health care inflation	1%	3,579,900	14,002,000	17,581,900	17.00%
Health care inflation	-1%	2,337,900	10,738,000	13,075,900	-13.00%
Post-retirement mortality	-1 year	2,967,000	12,654,000	15,621,000	4.00%
Average retirement age	-1 year	2,955,000	12,552,300	15,507,300	3.00%
Continuation of membership at retirement	-10%	2,581,000	11,722,900	14,303,900	-5.00%

	2018 Rm	2017 Rm
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	(0.526)	7.037

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 Rm	2015 Rm	2014 Rm
Liabilities: (Gain) / loss			
Assets: Gain / (loss)	1.839	6.173	2.102

13.2 Provision for Ex-Gratia Pension Benefits

The Ex-Gratia Pension Benefit plans are defined benefit plans. As at year end, 11 former employees were eligible for Ex-Gratia Benefits.

There is no Current-service cost as there are no in-service members eligible for ex-gratia pension benefits, whereas the Interest- Cost for the next year is estimated to be R 37 920.

Key actuarial assumptions used:

	2018 %	2017 %
i) Rate of interest		
Discount rate	7.93%	7.80%
General Salary Inflation (long-term)	2.38%	2.31%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	5.43%	5.37%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

ii) Actuarial Valuation Method

The Projected Unit Credit Method has been used to value the liabilities.

	2018 R	2017 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations - Garden Route	122,168	196,812
Present value of fund obligations - Roads	414,764	436,092
Net liability/(asset)	536,932	632,904

Reconciliation of present value of fund obligation:

	2018 R	2017 R
Present value of fund obligation at the beginning of the year	632,904	786,018
Total expenses	(94,235)	(106,965)
Interest Cost	44,048	57,014
Benefits Paid	(138,283)	(163,979)
Actuarial (gains)/losses	(1,737)	(46,149)
Present value of fund obligation at the end of the year	536,932	632,904

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		536,932	
Pension Increase rate	+1%	560,322	4%
Pension Increase rate	-1%	515,165	-4%
Discount Rate	+1%	516,431	-4%
Discount Rate	-1%	559,288	4%
Post-retirement mortality	- 1 yr	563,214	5%

	2018 R	2017 R
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	-420	-37,795.0

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 R	2015 R	2014 R
Liabilities: (Gain) / loss	-120,652	-153,581	-270,057

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

13.3	Provision for Long Service Bonuses	2018 R	2017 R
		The Long Service Bonus plans are defined benefit plans. As at year end, 532 employees were eligible for Long Service Bonuses.	
		The Current-service Cost for the ensuing year is estimated to be R898 460 whereas the Interest Cost for the next year is estimated to be R 1 156 474.	
		2018 %	2017 %
		Key actuarial assumptions used:	
		i) Rate of interest	
		Discount rate	8.49%
		General Salary Inflation (long-term)	8.37%
		Net Effective Discount Rate applied to salary-related Long Service Bonuses	6.12%
		2.23%	6.19%
			2.05%
		2018 R	2017 R
		The amounts recognised in the Statement of Financial Position are as follows:	
		8,351,859	7,613,903
		6,321,412	5,776,244
		Net liability/(asset)	
		14,673,271	13,390,147
		Reconciliation of present value of fund obligation:	
		Present value of fund obligation at the beginning of the year	13,390,147
		Total expenses	12,698,001
		140,459	1,180,943
		Current service cost	821,215
		Interest Cost	921,006
		Benefits Paid	1,028,841
		(1,730,825)	(768,904)
		Actuarial (gains)/losses	1,142,665
			(488,797)
		Present value of fund obligation at the end of the year	14,673,271
			13,390,147
		2018 R	2017 R
		Sensitivity Analysis on the Accrued Liability on 30 June 2018	
		Change	Liability (Km)
		% change	
		Assumption	14.673
		Central assumptions	15.662
		General salary inflation	7%
		General salary inflation	13.782
		Average retirement age	-6%
		Average retirement age	13.708
		Withdrawal rates	-7%
		-2 yrs	16.437
		-50%	12%
			16.991
			16%
		Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2019	
		Current Service Cost (R)	Interest Cost (R)
		Total (R)	
		Assumption	
		Central Assumptions	898,500
		1,156,500	2,055,000
		The effect of movements in the assumptions are as follows:	
		Change	Current Service Cost (R)
		Interest Cost (R)	Total (R)
		% change	
		Assumption	
		1%	971,700
		-1%	1,240,300
		1%	1,081,000
		-1%	1,914,000
		1%	837,800
		-1%	1,206,600
		-2 yrs	1,096,900
		-2 yrs	2,064,400
		-50%	1,096,900
		-2 yrs	2,064,400
		-2 yrs	1,852,500
		-50%	1,317,300
		1,164,600	1,353,200
			2,517,800
			23%

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
		R	R
Experience adjustments were calculated as follows:			
Liabilities: (Gain) / loss		1,325,309	864,660
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
	2016	2015	2014
	R	R	R
Liabilities: (Gain) / loss	528,031	958,647	78,018
13.4 Retirement funds		2018	2017
		R	R

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE JOINT PENSION FUND

The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund has a funding level of 153,1% (30 June 2014 - 101,7%).

CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2016 revealed that the fund is in a sound financial position with a funding level of 100,5% (30 June 2015 - 100,4%).

DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

13.5 Employee Benefits Receivable

Department of Transport: Roads - Post Employment Health Care Benefits (Note 13.1) - At amortised cost	55,105,327	55,129,352
Department of Transport: Roads - Ex-Gratia Pension Benefits (Note 13.2) - At amortised cost	414,764	436,092
Department of Transport: Roads - Long Service Awards (Note 13.3) - At amortised cost	6,321,412	5,776,244
Less: Current portion transferred to current employee benefits receivable	61,841,503	61,341,688
	4,108,443	3,805,368
Department of Transport: Roads - Post Employment Health Care Benefits (Note 13.1) - At amortised cost	2,897,594	2,844,700
Department of Transport: Roads - Ex-Gratia Pension Benefits (Note 13.2) - At amortised cost	94,668	94,661
Department of Transport: Roads - Long Service Awards (Note 13.3) - At amortised cost	1,116,181	866,007
Total	57,733,060	57,536,320

DEPARTMENT OF TRANSPORT: ROADS

The Employee Benefits: Roads Receivable relates to the provision for post-retirement health benefits, long service awards and ex-gratia pension benefits made in respect of employees directly appointed for Roads Function performed on an agency basis on behalf of the Provincial Administration: Western Cape.

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

In terms of the agreement between the Western Cape Provincial Government and past practice, Provincial Government funds will be made available to maintain the approved organogram of the Roads department, including all employee post retirement benefits. The future claim for the provision for retirement benefits has therefore been raised as a long term debtor. The carrying amount of these assets approximates their fair value.

A technical query has been lodged with the Office of the Auditor General, National Treasury and Provincial Treasury with regards to the ownership of the post employment benefits of the Roads' Agency Function.

	2018 R	2017 R
14. PROVISIONS		
Current Portion of Provision for Alleviation of Alien Vegetation on Council Properties - Note 12	-	-
Balance previously reported	-	759,167
Correction of provision for Alien Vegetation - Note 42.3	-	(759,167)
Total Provisions	-	-
The movement in current provisions are reconciled as follows:		
14.1 <u>Provision for Alleviation of Alien Vegetation</u>		
Balance at beginning of year	-	759,167
Correction of provision for Alien Vegetation - Note 42.3	-	(759,167)
Balance at end of year	-	-
15. CURRENT EMPLOYEE BENEFITS		
Performance Bonuses	432,599	478,536
Staff Bonuses	3,207,620	2,844,303
Roads - Staff Bonuses	2,265,123	2,003,271
Staff Leave	10,425,847	7,810,365
Roads - Staff Leave	6,856,658	4,256,217
Current Portion of Non-Current Provisions	9,224,046	8,696,024
Current Portion of Post Retirement Benefits - Note 13	6,957,208	6,826,916
Current Portion of Ex-Gratia Pension Provisions - Note 13	119,772	138,283
Current Portion of Long-Service Provisions - Note 13	2,147,066	1,730,825
Total Provisions	32,411,893	26,088,716
The movement in current provisions are reconciled as follows:		
15.1 <u>Performance Bonuses</u>		
Balance at beginning of year	478,536	515,015
Overprovision previous year	(319,387)	(6,804)
Transfer from non-current	-	-
Contribution to current portion	432,599	478,536
Expenditure incurred	(158,148)	(508,211)
Balance at end of year	432,599	478,536
Performance bonuses are being paid to the Municipal Manager and Two Section 57 Executive Managers, who were appointed on contract for part of the year, before being permanently appointed (Municipal Manager is appointed on a 5 year Contract) after an evaluation of performance by the council.		
15.2 <u>Staff Bonuses</u>		
Balance at beginning of year	2,844,303	2,558,742
Contribution to current portion	5,305,225	4,700,525
Expenditure incurred	(4,941,908)	(4,414,964)
Balance at end of year	3,207,620	2,844,303
Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement. Two S57 managers are appointed on a T-grade and receive bonus as per collective agreement in November.		
15.3 <u>Roads - Staff Bonuses</u>		
Balance at beginning of year	2,003,271	1,815,654
Contribution to current portion	3,752,550	3,354,118
Expenditure incurred	(3,490,698)	(3,166,501)
Balance at end of year	2,265,123	2,003,271
Bonuses are being paid to all municipal staff. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.		

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
15.4 <u>Staff Leave</u>		
Balance at beginning of year	7,810,365	7,108,640
Contribution to current portion	3,921,776	1,447,887
Expenditure incurred	(1,306,294)	(746,162)
Balance at end of year	<u>10,425,847</u>	<u>7,810,365</u>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

15.5 <u>Roads - Staff Leave</u>		
Balance at beginning of year	4,256,217	4,305,878
Contribution to current portion	2,756,625	421,340
Expenditure incurred	(156,184)	(471,001)
Balance at end of year	<u>6,856,658</u>	<u>4,256,217</u>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

16. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	3,359,262	6,880,571
Accrued Interest	-	-
Advance Payments	2,725,260	1,566,194
Control, Clearing and Interface Accounts	334,434	(21,969)
Balance previously reported	-	33,619
Correction of provision for Alien Vegetation - Note	-	(55,588)
Debtors with credit balances	-	-
Other Payables	4,655,873	1,952,018
Retentions	-	165,632
Roads - Payment Received in Advance	960,841	1,000,000
Roads - Provision for Leave days paid	208,651	208,651
Roads - Other creditors	4,620,628	1,816,686
Total Trade Payables	<u>16,864,948</u>	<u>13,567,781</u>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

17. UNSPENT TRANSFERS AND SUBSIDIES

Unspent Transfers and Subsidies	8,419,797	2,606,225
National Government Grants	6,754,408	905,707
Provincial Government Grants	1,180,240	78,213
District Municipality	-	-
Other Sources	485,149	1,622,305
Less: Unpaid Transfers and Subsidies	-	-
National Government Grants	-	-
Provincial Government Grants	-	-
District Municipality	-	-
Other Sources	-	-
Total Unspent Transfers and Subsidies	<u>8,419,797</u>	<u>2,606,225</u>

See appendix "B" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
18	TAXES		
18.1	VAT Payable		-
	VAT Output in Suspense		-
	<u>Less:</u> Contribution to Provision for Doubtful Debt Impairment		-
	Total VAT Payable		-
18.2	VAT Receivable	317,038	571,877
	VAT Input in Suspense		
	Total VAT Receivable	<u>317,038</u>	<u>571,877</u>
18.3	Net VAT (Payable)/Receivable	<u>317,038</u>	<u>571,877</u>
	VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
19	SHORT-TERM BORROWINGS		
	The Municipality has no short term borrowings.		
20	NET ASSET RESERVES		
	RESERVES	31,704,865	27,728,373
	Capital Replacement Reserve	<u>31,704,865</u>	<u>27,728,373</u>
	Total Net Asset Reserve and Liabilities	<u>31,704,865</u>	<u>27,728,373</u>
20.1	The Capital Replacement Reserve is used to finance future capital expenditure from own funds.		
21	GOVERNMENT GRANTS AND SUBSIDIES		
	Government Grants and Subsidies - Operating	154,142,467	146,697,773
	Equitable Share	146,055,000	142,093,379
	Energy Efficiency and Demand Side Management	12,880	-
	Expanded Public Works Programme Integrated Grant	1,280,000	983,354
	Rural Road Asset Management Systems Grant	2,944,419	1,839,581
	Local Government Financial Management Grant	1,250,001	1,224,758
	Municipal Disaster Grant	614,000	-
	Greenest Municipality Competition	130,000	130,000
	Integrated Transport Planning	-	-
	LGESTA/Re-imbursments	638,194	-
	Regional Bulk Infrastructure - Regional Landfill Site	-	-
	Task Contributions - Municipalities	-	-
	Financial Management Support	620,000	426,701
	Personal Primary Health Care	-	-
	Fire Services Capacity Building Grant	597,973	-
	Total Government Grants and Subsidies	<u>154,142,467</u>	<u>146,697,773</u>
	Included in above are the following grants and subsidies received:		
	<u>Unconditional</u>	146,185,000	142,223,379
	Equitable Share	146,055,000	142,093,379
	Greenest Municipality Competition	130,000	130,000
	<u>Conditional</u>	14,415,438	5,171,284
	Local Government Financial Management Grant	1,250,000	1,250,000
	Energy Efficiency and Demand Side Management	5,000,000	-
	Expanded Public Works Programme Integrated Grant	1,280,000	1,000,000
	Rural Road Asset Management Systems Grant	2,420,000	2,364,000
	Municipal Disaster Grant	2,000,000	-
	Integrated Transport Planning	900,000	-
	Financial Management Support	620,000	400,000
	Fire Services Capacity Building Grant	800,000	-
	LGESTA/Re-imbursments	145,438	157,284
	Total Government Grants and Subsidies	<u>160,600,438</u>	<u>147,394,663</u>

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Executive and council	152,890,273	146,697,773
Finance and administration	638,194	5
Planning and development	614,000	-
Total Government Grants and Subsidies	154,142,467	146,697,778
Based on the allocations set out in the Division of Revenue Act (DoRA), no significant changes in the level of government funding are expected over the forthcoming 3 financial years.		
21.1 <u>Equitable Share</u>		
Opening balance	-	-
Correction of Error	-	-
Grants received	146,055,000	142,093,379
VAT on Grants	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(146,055,000)	(142,093,379)
Conditions met - Capital	-	-
Conditions still to be met	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
21.2 <u>Local Government Financial Management Grant</u>		
Opening balance	-	(25,242)
Correction of Error	-	-
Grants received	1,250,000	1,250,000
VAT on Grants	(76,050)	(53,275)
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(1,173,951)	(1,171,483)
Conditions met - Capital	-	-
Conditions still to be met	(1)	(0)
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
21.3 <u>Local Government Municipal Systems Improvement Grant</u>		
Opening balance	-	9,516
Correction of Error	-	-
Grants received	-	-
VAT on Grants	-	-
Repaid to National Revenue Fund	-	(9,516)
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	-	-
The Municipal Systems Improvement Grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
21.4 <u>Energy Efficiency and Demand Side Management</u>		
Opening balance	-	5,367,955
Correction of Error	-	-
Grants received	5,000,000	-
VAT on Grants	(1,680)	-
Repaid to National Revenue Fund	-	(5,367,955)
Conditions met - Operating	(11,200)	-
Conditions met - Capital	-	-
Conditions still to be met	4,987,120	-
Grant utilised for energy efficiency investigation within the region.		

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
21.5 <u>LGESTA:Re-imbursments</u>		
Opening balance	638,194	480,910
Correction of Error	-	-
Grants received	145,438	157,284
VAT on Grants	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(638,194)	-
Conditions met - Capital	-	-
Conditions still to be met	<u>145,438</u>	<u>638,194</u>
Grant is utilised for training purposes of municipal staff.		
21.6 <u>Bucket system Elimination Schools/Clinic</u>		
Opening balance	-	76,317
Correction of Error	-	-
Grants received	-	-
VAT on Grants	-	-
Repaid to National Revenue Fund	-	(76,317)
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>-</u>	<u>-</u>
Grant utilised for replacing bucket system with VIP toilets.		
21.7 <u>Expanded Public Works Programme Integrated Grant</u>		
Opening balance	-	(16,646)
Correction of Error	-	-
Grants received	1,280,000	1,000,000
VAT on Grants	-	(5,180)
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(1,280,000)	(978,174)
Conditions met - Capital	-	-
Conditions still to be met	<u>-</u>	<u>-</u>
The grant is utilised for job creation.		
21.8 <u>Task Contributions - Municipalities</u>		
Opening balance	-	152,169
Correction of Error	-	(152,169)
Grants received	-	-
VAT on Grants	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>-</u>	<u>-</u>
Grant utilised for the funding of the TASK unit.		
21.9 <u>Financial Management Support</u>		
Opening balance	78,213	288,454
Correction of Error	-	-
Grants received	620,000	400,000
VAT on Grants	(1,701)	(27,696)
Repaid to National Revenue Fund	-	(183,540)
Conditions met - Operating	(618,299)	(399,005)
Conditions met - Capital	-	-
Conditions still to be met	<u>78,213</u>	<u>78,213</u>
21.10 <u>DWA: Abstraction Validation on Bitou</u>		
Opening balance	-	35,589
Correction of Error	-	-
Grants received	-	-
VAT on Grants	-	-
Repaid to National Revenue Fund	-	(35,589)
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>-</u>	<u>-</u>

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

21.11	<u>Regional Bulk Infrastructure</u>		
	Opening balance	381,288	381,288
	Correction of Error	-	-
	Conditions still to be met	381,288	381,288
21.12	<u>Integrated Transport Planning</u>		
	Opening balance	-	652,742
	Correction of Error	-	-
	Grants received	900,000	-
	VAT on Grants	-	-
	Repaid to National Revenue Fund	-	(652,742)
	Conditions met - Operating	-	-
	Conditions met - Capital	-	-
	Conditions still to be met	900,000	-
21.13	<u>Municipal Disaster Grant</u>		
	Opening balance	-	7,367,185
	Correction of Error	-	-
	Grants received	2,000,000	-
	VAT on Grants	(39,229)	-
	Repaid to National Revenue Fund	-	(7,367,185)
	Conditions met - Operating	(574,771)	-
	Conditions met - Capital	-	-
	Conditions still to be met	1,386,000	-
21.14	<u>Braille Project</u>		
	Opening balance	-	11,645
	Correction of Error	-	-
	Grants received	-	-
	VAT on Grants	-	-
	Repaid to National Revenue Fund	-	(11,645)
	Conditions met - Operating	-	-
	Conditions met - Capital	-	-
	Conditions still to be met	-	-
21.15	<u>Fire Services Capacity Building Grant</u>		
	Opening balance	-	-
	Correction of Error	-	-
	Grants received	800,000	-
	VAT on Grants	-	-
	Repaid to National Revenue Fund	-	-
	Conditions met - Operating	(597,973)	-
	Conditions met - Capital	-	-
	Conditions still to be met	202,027	-
21.16	<u>Rural Road Asset Management Systems Grant</u>		
	Opening balance	524,419	2,276,721
	Correction of Error	-	-
	Grants received	2,420,000	2,364,000
	VAT on Grants	(348,460)	(139,919)
	Repaid to National Revenue Fund	-	(2,276,721)
	Conditions met - Operating	(2,595,959)	(1,699,662)
	Conditions met - Capital	-	-
	Conditions still to be met	-	524,419
21.17	<u>Mandela Memorial Celebrations</u>		
	Opening balance	-	136,250
	Correction of Error	-	-
	Grants received	-	-
	VAT on Grants	-	-
	Repaid to National Revenue Fund	-	(136,250)
	Conditions met - Operating	-	-
	Conditions met - Capital	-	-
	Conditions still to be met	-	-

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

21.18	<u>Greenest Municipality Competition</u>		
	Opening balance	-	-
	Correction of Error	-	-
	Grants received	130,000	130,000
	VAT on Grants	-	-
	Repaid to National Revenue Fund	-	-
	Conditions met - Operating	-	-
	Conditions met - Capital	(130,000)	(130,000)
	Conditions still to be met	-	-
		<u>-</u>	<u>-</u>
21.19	<u>Total Grants</u>		
	Opening balance	1,622,114	17,194,853
	Correction of Error	-	(152,169)
	Grants received	160,600,438	147,394,663
	VAT on Grants	(467,120)	(226,071)
	Repaid to National Revenue Fund	-	(16,117,460)
	Conditions met - Operating	(153,675,347)	(146,471,702)
	Conditions met - Capital	-	-
	Conditions still to be met/(Grant expenditure to be recovered)	<u>8,080,085</u>	<u>1,622,114</u>
	<u>Disclosed as follows:</u>		
	Unspent Conditional Government Grants and Receipts	8,080,085	1,622,114
	Unpaid Conditional Government Grants and Receipts	-	-
	Total	<u>8,080,085</u>	<u>1,622,114</u>
22	PUBLIC CONTRIBUTIONS AND DONATIONS		
	Public Contributions - Conditional	700,000	-
	Public Contributions - Unconditional	220,850	258
	Donations	-	-
	Total Public Contributions and Donations	<u>920,850</u>	<u>258</u>
	<u>Reconciliation of conditional contributions:</u>		
22.1	<u>Knysna Relief Fund</u>		
	Opening balance	984,111	-
	Correction of Error	-	-
	Grants received	55,600	984,111
	Interest received	-	-
	Conditions met - Operating	-	-
	Conditions met - Capital	(700,000)	-
	Conditions still to be met	<u>339,711</u>	<u>984,111</u>
	<i>Fund opened for the relief of Knysna Fire victims and funded through donations of the public.</i>		
		2018	2017
		R	R
22.2	<u>Total Conditional Contributions</u>		
	Opening balance	984,111	-
	Correction of Error	-	-
	Grants received	55,600	984,111
	Interest received	-	-
	Conditions met - Operating	-	-
	Conditions met - Capital	(700,000)	-
	Conditions still to be met	<u>339,711</u>	<u>984,111</u>
23	LICENCES AND PERMITS		
	Health Certificates	213,594	215,028
	Total Licences and Permits	<u>213,594</u>	<u>215,028</u>

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
<u>Disclosed as follows:</u>		
Revenue from Non-Exchange Transactions	-	-
Revenue from Exchange Transactions	213,594	215,028
Total Licences and Permits	213,594	215,028
24 DEPARTMENT OF TRANSPORT - ROADS SERVICE CHARGES		
Department of Transport - Roads Service Charges	189,191,076	144,449,812
Income for agency services	17,372,717	15,161,628
Total Service Charges	206,563,793	159,611,440
Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
25 SALES OF GOODS AND RENDERING OF SERVICES		
Camping Fees	6,992,873	6,744,638
Development Charges	188,125	-
Entrance Fees	86,440	174,296
Fire Services	7,155,924	3,507,154
Health Services	215,689	233,523
Legal Fees	-	360,000
Sale of Goods	59,970	866,508
Total Sales of Goods and Rendering of Services	14,699,021	11,886,118
26 RENT ON LAND	2018 R	2017 R
Land	444,513	391,848
Undeveloped Land	444,513	391,848
Balance previously reported	-	383,076
Correction of Rental Income - Note 42	-	8,772
Total Rent on Land	444,513	391,848
27 RENTAL OF FACILITIES AND EQUIPMENT	2018 R	2017 R
Investment Property	243,221	202,900
Property, Plant and Equipment	104,364	64,175
Total Rental from Fixed Assets	347,585	267,075
28 INTEREST EARNED - EXTERNAL INVESTMENTS	2018 R	2017 R
Bank	5,500,928	5,513,029
Financial assets	5,776,017	7,413,638
Other	-	-
Total Interest Earned - External Investments	11,276,945	12,926,667
29 INTEREST EARNED - EXCHANGE TRANSACTIONS	2018 R	2017 R
Long-term Receivables	-	-
Trade Receivables	-	-
Other Receivables	1,639,116	1,176,588
Total Interest Earned - Outstanding Receivables	1,639,116	1,176,588
30 OPERATIONAL REVENUE		
Administrative Handling Fees	251,641	180,266
Commission	17,073	-
Insurance Refund	40,243	252,742
Staff Recoveries	689,627	7,000
Personal Primary Health Care	-	549,853
Total Operational Revenue	998,584	989,861

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

31	EMPLOYEE RELATED COSTS	2018 R	2017 R
	Roads Function - Employee Related Costs	76,216,931	63,017,771
	Basic Salaries and Wages	77,012,604	65,560,099
	Pension and UIF Contributions	12,443,617	10,562,149
	Medical Aid Contributions	9,198,436	9,021,783
	Overtime	3,479,009	2,631,218
	Bonuses	5,469,553	5,157,265
	Motor Vehicle Allowance	6,121,406	6,166,705
	Cell Phone Allowance	224,961	5,700
	Housing Allowances	946,532	802,614
	Other benefits and allowances	2,197,083	1,601,799
	Payments in lieu of leave	4,167,815	1,447,887
	Workmen's Compensation Fund	685,026	857,442
	Post-retirement Benefit Obligations	4,657,704	5,987,362
	Total Employee Related Costs	202,820,676	172,819,773
	KEY MANAGEMENT PERSONNEL		
	Key management personnel are appointed permanently, except for the municipal manager who is appointed on a 5 year fixed contract. There are no post-employment or termination benefits payable at the end of his/her term.		
	REMUNERATION OF KEY MANAGEMENT PERSONNEL		
	<i>Remuneration of the Municipal Manager - Mr MG Stratu</i>	12 Months	3 Months
	Basic Salary	1,407,252	374,020
	Pension and UIF Contributions	131,269	26,927
	Medical Aid Contributions	46,351	15,484
	Overtime	-	-
	Performance Bonus	75,306	-
	Motor Vehicle Allowance	312,958	107,075
	Cell Phone Allowance	72,000	24,000
	Housing Allowances	-	-
	Other benefits and allowances	36,099	13,484
	Payments in lieu of leave	93,070	-
	Long service awards	-	-
	Post-retirement benefit obligations	-	-
	Total	2,174,306	560,991
	<i>Remuneration of Executive Manager Finance - Miss L Hoek</i>	12 Months	12 Months
	Basic Salary	840,752	764,714
	Pension and UIF Contributions	153,111	148,726
	Medical Aid Contributions	46,416	41,915
	Annual Bonus	69,228	62,970
	Performance Bonus	-	-
	Motor Vehicle Allowance	129,662	134,821
	Cell Phone Allowance	11,040	11,040
	Housing Allowances	-	-
	Other benefits and allowances	20,187	11,055
	Payments in lieu of leave	-	-
	Long service awards	-	-
	Post-retirement benefit obligations	-	-
	Total	1,270,396	1,175,242

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
Remuneration of the Executive Manager Corporate Services - Mrs B Holtzhausen	12 Months	12 Months
Basic Salary	954,866	869,536
Pension and UIF Contributions	173,680	168,997
Medical Aid Contributions	-	-
Annual Bonus	44,000	33,000
Performance Bonus	-	154,804
Motor Vehicle Allowance	112,423	117,947
Cell Phone Allowance	-	-
Housing Allowances	-	-
Other benefits and allowances	99	1,999
Payments in lieu of leave	160,536	-
Long service awards	-	-
Post-retirement benefit obligations	-	-
Total	1,445,603	1,345,983
Remuneration of the Executive Manager Community Services - Mr C Africa	12 Months	12 Months
Basic Salary	903,400	867,915
Pension and UIF Contributions	133,006	112,844
Medical Aid Contributions	42,118	35,914
Overtime	-	-
Performance Bonus	-	147,701
Motor Vehicle Allowance	72,600	86,658
Cell Phone Allowance	-	-
Housing Allowances	84,000	84,000
Other benefits and allowances	16,552	28,326
Payments in lieu of leave	-	86,679
Long service awards	-	-
Post-retirement benefit obligations	-	-
Total	1,251,676	1,450,036
Remuneration of the Executive Manager Roads - Mr JC Ottervanger	12 Months	12 Months
Basic Salary	740,785	673,836
Pension and UIF Contributions	135,126	123,075
Medical Aid Contributions	47,307	43,037
Annual Bonus	61,486	55,929
Performance Bonus	-	-
Motor Vehicle Allowance	129,748	153,688
Cell Phone Allowance	9,600	9,600
Housing Allowances	9,559	8,904
Other benefits and allowances	8,926	21,559
Payments in lieu of leave	-	-
Long service awards	-	-
Post-retirement benefit obligations	-	-
Total	1,142,537	1,089,629
Remuneration of Executive Manager: Planning and Economic Development – L Menze	6 Months	
Basic Salary	329,909	
Pension and UIF Contributions	60,275	
Medical Aid Contributions	16,850	
Overtime	-	
Performance Bonus	-	
Motor Vehicle Allowance	72,000	
Cell Phone Allowance	-	
Housing Allowances	90,000	
Other benefits and allowances	3,765	
Payments in lieu of leave	-	
Long service awards	-	
Post-retirement benefit obligations	-	
Total	572,799	

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

32	REMUNERATION OF COUNCILLORS	2018 R	2017 R
	Councillor - T Fortuin	345,938	267,375
	Councillor - NF Kamte	347,455	274,333
	Councillor - MP Mapitza	345,938	294,244
	Councillor - CN Lichaba	432,735	311,064
	Councillor - T van Rensburg	345,938	300,868
	Councillor - RE Spies	766,723	294,773
	Councillor - Teyss	-	42,606
	Councillor - KS Lose	768,457	612,144
	Councillor - D Saayman	345,938	293,095
	Councillor - BN van Wyk	347,486	291,180
	Councillor - AJ Rossouw	345,938	300,994
	Councillor - I Stemela	486,684	379,706
	Councillor - EH Stroebe	72,493	36,137
	Councillor - RS Figland	70,123	36,137
	Councillor - V Gericke	311,848	107,113
	Councillor - BHJ Groenewald	82,145	53,680
	Councillor - E Meyer	495,028	398,156
	Councillor - RH Ruiters	533,528	428,452
	Councillor - JJC Lambaateen	496,817	395,003
	Councillor - RR Wildschut	82,145	57,339
	Councillor - K Windvogel	82,145	53,509
	Councillor - L Tyokolo	82,145	54,291
	Councillor - MS Willemsse	501,463	436,360
	Councillor - MV Molosi	82,145	50,887
	Councillor - SM Odendaal	82,145	65,260
	Councillor - IT Mangaliso	82,145	48,586
	Councillor - NC Jacob	82,145	59,071
	Councillor - M Booyesen	1,011,932	641,763
	Councillor - Vi van der Westhuizen VI	-	73,899
	Councillor - LBC Esau LBC	-	52,775
	Councillor - D Naylor	-	57,842
	Councillor - J du Toit	-	40,301
	Councillor - JJA Koegeberg	-	84,064
	Councillor - SF May	343,148	76,799
	Councillor - HJ McCombi	-	54,331
	Councillor - T Simmers	-	655,600
	Councillor - CN Ngalo	-	33,527
	Councillor - MM Mbali	4,624	941
	Councillor - N Ndayi	6,588	242,605
	Councillor - NA Bityi	-	34,575
	Councillor - NC Booiisen	4,624	1,307
	Councillor - M Fielles	6,894	29,583
	Councillor - HJ Floors	-	33,872
	Councillor - JJ Gerber	-	5,566
	Councillor - JG Janse van Rensburg	-	28,951
	Councillor - SS Mbandezi	82,145	54,474
	Councillor - WVP Meshoa	4,646	3,296
	Councillor - GC Niehaus	-	962
	Councillor - LN Qupe	-	962
	Councillor - CM Skietekat	-	34,982
	Councillor - NM Tanda	-	36,090
	Councillor - T Teyisi	72,493	2,886
	Councillor - PJ van der Hoven	72,493	42,606
	Councillor - D Xego	347,016	333,565
	Councillor - D Abrahams	-	3,323
	Councillor - AM Joubert	-	7,238
	Councillor - J Johnson	-	472,401
	Councillor - JE Gouws	-	5,566
	Councillor - D Kamfer	-	34,633
	Councillor - SF de Vries	434,682	291,550
	Councillor - M Wagenaar	-	6,051
	Councillor - JP Johnson	511,059	-
	Councillor - ASM Windvogel	60,658	-
	Total Councillors' Remuneration	10,980,692	9,421,247
	Remuneration paid to Councillors can be summarised as follow:		
		Travel Allowance	
	Executive Mayor	229,327	242,002
	Deputy-Mayor	485,951	36,577
	Speaker	491,379	-
	Executive Committee Members	2,648,639	416,604
	Councillors	4,156,538	253,324
	Total Councillors' Remuneration	8,011,834	948,507
		Other Allowances	
	Executive Mayor	468,991	
	Deputy-Mayor	11,000	
	Speaker	10,084	
	Executive Committee Members	267,307	
	Councillors	831,938	
	Total Councillors' Remuneration	1,589,321	
		Contributions	
	Executive Mayor	71,612	
	Deputy-Mayor	-	
	Speaker	-	
	Executive Committee Members	192,218	
	Councillors	167,200	
	Total Councillors' Remuneration	431,030	
		Total	
	Executive Mayor	1,011,932	
	Deputy-Mayor	533,528	
	Speaker	501,463	
	Executive Committee Members	3,524,768	
	Councillors	5,409,000	
	Total Councillors' Remuneration	10,980,692	

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

In-kind Benefits

The Executive Mayor, Executive Deputy Mayor, Speaker, Chief Whip and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.

The Executive Mayor is entitled to stay at the mayoral residence owned by the Council at no cost.

	2018 R	2017 R
33 CONTRACTED SERVICES		
Roads Function: Contracted Services	4,304,682	2,134,296
Outsourced Services	465,702	897,692
Consultants and Professional Services	-	20,218
Contractors	3,838,980	1,216,385
Outsourced Services	11,180,855	7,995,306
Consultants and Professional Services	7,572,282	20,993,822
Contractors	3,864,750	2,826,576
Total Contracted Services	26,922,569	33,950,000
34 DEPRECIATION AND AMORTISATION		
Property, Plant and Equipment	3,332,216	2,528,052
Intangible Assets	514,839	391,954
Investment Property carried at cost	111,867	112,185
Total Depreciation and Amortisation	3,958,922	3,032,191
35 FINANCE COSTS		
Roads Function - Finance Costs	-	418,849
Long-term Borrowings	60,487	86
Payables	18,886	8,410
Total Finance Costs	79,372	427,346
36 TRANSFERS AND SUBSIDIES		
Roads Function: Transfers and Subsidies	1,769,750	-
Operational		
Allocations In-Kind	1,769,750	-
Households	1,769,750	-
Operational	533,790	1,091,177
Allocations In-kind	315,699	81,489
Households	315,699	81,489
Monetary Allocations	218,091	1,009,687
Higher Educational Institutions	50,000	-
Households	(10,540)	44,857
Non-profit Institutions	37,000	120,000
Private Enterprises	141,630	174,992
Public Corporations	-	669,838
Total Transfers and Subsidies	2,303,540	1,091,177

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
37 OPERATIONAL COSTS		
Roads Function Operational Costs	34,707,098	37,598,421
Advertising, Publicity and Marketing	526,944	290,783
Audit Fees	-	155,000
Bank Charges, Facility and Card Fees	94,052	57,183
Bursaries	-	6,955
Cleaning Services	8,241	-
Communication	470,864	199,123
Contribution to Capital	-	828,453
Courier and Delivery Services	-	17,597
Entertainment	11,360	3,301
External Computer Service	1,494,992	168,216
Fines and Penalties	-	2,500
Hire Charges	-	11,062,536
Learnerships and Internships	252,509	-
Licences	27,983	13,771
Management Fee	19,842,830	17,293,399
Municipal Services	1,262,342	1,137,833
Printing, Publications and Books	407,318	32,535
Professional Bodies, Membership and Subscription	735,260	5,276
Registration Fees	3,306	810,059
Road Worthy Test	-	1,373
Transport	-	1,450,381
Travel and Subsistence	8,309,698	3,137,190
Uniforms and Protective Clothing	802,717	924,958
Workmen Compensation Fund	456,684	-
Advertising, Publicity and Marketing	1,663,293	835,910
Assets less than the Capitalisation Threshold	250,010	780,921
Audit Fees	2,081,198	2,830,992
Bank Charges, Facility and Card Fees	161,221	158,894
Bursaries (Employees)	443,666	683,023
Cleaning Services	138,961	180,822
Contribution to Provisions: Alien Vegetation	359,023	-
Balance previously reported		(1,273,731)
Correction of provision for Alien Vegetation - Note		1,273,731
Courier and Delivery Services	51,820	8,193
Communication	2,054,506	2,913,592
Deeds	1,100	-
Drivers Licences and Permits	21,878	-
Entertainment	17,594	17,987
External Computer Service	1,009,957	1,537,746
Fines and Penalties	1,507	-
Hire Charges	280,391	55,789
Insurance Underwriting	1,007,892	394,925
Learnerships and Internships	140,009	-
Licences	27,998	54,510
Municipal Services	3,256,684	3,507,604
Office Decorations	4,636	-
Printing, Publications and Books	645,139	1,045,799
Professional Bodies, Membership and Subscription	824,974	1,150,322
Registration Fees	576,450	57,026
Rewards Incentives	29,164	-
Samples and Specimens	918,981	748,406
Skills Development Fund Levy	1,015,067	792,105
Storage of Files (Archiving)	-	53,526
System Access and Information Fees	1,995	-
Travel and Subsistence	3,757,985	1,137,512
Uniform and Protective Clothing	404,297	241,549
Vehicle Tracking	989	795
Wet Fuel	969,665	921,425
Total Operational Costs	56,825,148	57,707,793
38 REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON RECEIVABLES		
Receivables from Exchange Transactions - Note 8	(7,072,798)	(438,645)
Roads Function - Receivables from Exchange Transactions - Note 8	(227,342)	-
Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables	(7,300,140)	(438,645)
39 GAINS/ (LOSS) ON SALE OF FIXED ASSETS		
Property, Plant and Equipment	(573,997)	(268,960)
Total Gains/ (Loss) on Sale of Fixed Assets	(573,997)	(268,960)
40 REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON FIXED ASSETS		
Property, Plant and Equipment	57,050	(73,431)
Total Reversal of Impairment Loss/ (Impairment Loss) on Fixed Assets	57,050	(73,431)

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

41 RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS AS A RESULT OF THE IMPLEMENTATION OF mSCOA

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. The reclassification of 2017 audited amounts can be summarised as follows:

	Balance previously reported	Adjustments	Restated Balance
Statement of Financial Position			
Capital Replacement Reserve	(27,728,373)		(27,728,373)
Accumulated Surplus/(Deficit)	(241,419,643)		(241,419,643)
Long-term Liabilities	-		-
Long-term Borrowings	-		-
Non-current Provisions	(2,942,280)		(2,942,280)
Non-current Employee Benefits	(136,939,701)		(136,939,701)
Consumer Deposits	-		-
Provisions	(759,167)		(759,167)
Current Employee Benefits	(28,068,286)	1,979,568	(26,088,719)
Payables from exchange transactions	-		-
Trade and Other Payables from Exchange Transactions	(11,215,908)	(731,429)	(11,947,338)
Unspent Transfers and Subsidies	(4,534,880)	252,622	(4,282,258)
Property, Plant and Equipment	143,928,281		143,928,281
Investment Property	85,532,767		85,532,767
Intangible Assets	1,819,116		1,819,116
Investments	26,027		26,027
Employee Benefits	57,536,320		57,536,320
Inventory	3,131,451		3,131,451
Receivables from exchange transactions	5,487,869	7,416,368	12,904,036
Receivables from non-exchange transactions	6,585,896	(6,485,339)	100,556
Unpaid Transfers and Subsidies	252,622	(252,622)	-
Operating Lease Asset	32,445		32,445
VAT Receivable	2,751,044	(2,751,044)	-
Taxes		571,877	571,877
Current Portion of Employee Benefits	3,805,368		3,805,368
Cash and Cash Equivalents	142,719,233		142,719,233
Short-term Investments			-
	<u>-</u>	<u>-</u>	<u>0</u>

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Balance previously reported	Adjustments	Restated Balance
Statement of Financial Performance			
Government Grants and Subsidies	(147,546,786)	-	(147,546,786)
Public Contributions and Donations	-	(258)	(258)
Actuarial Gains	(4,548,713)	-	(4,548,713)
Fines	-	-	-
Department of Transport - Roads Service Charges	(159,611,440)	-	(159,611,440)
Sales of Goods and Rendering of Services	(11,298,390)	(587,728)	(11,886,118)
Rental of Facilities and Equipment	-	(267,075)	(267,075)
Rent on Land	-	(383,076)	(383,076)
Rental from Fixed Assets	(650,151)	650,151	-
Interest Earned - external investments	(12,926,667)	-	(12,926,667)
Interest Earned - Exchange Transactions	(1,176,588)	-	(1,176,588)
Licences and Permits	(215,028)	-	(215,028)
Operational Revenue	(1,707,847)	587,987	(1,119,860)
Employee related costs	110,028,891	-	110,028,891
Employee related costs - Roads	63,017,771	-	63,017,771
Remuneration of Councillors	9,421,247	-	9,421,247
Bad Debts Written Off	3,937,518	-	3,937,518
Contracted Services	30,347,848	2,219,974	32,567,822
Depreciation and Amortisation	3,032,191	-	3,032,191
Actuarial Losses	-	-	-
Finance Costs	8,497	-	8,497
Inventory Consumed	-	1,870,820	1,870,820
Operating Lessee	704,085	-	704,085
Roads - Operating Expenditure	81,432,041	-	81,432,041
Transfers and Subsidies	1,314,907	(223,730)	1,091,177
Operational Costs	22,702,707	(3,867,064)	18,835,643
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	(1,110)	-	(1,110)
Reversal of Impairment Loss/(Impairment Loss) on Receivables	438,645	-	438,645
Gains/(Loss) on Sale of Fixed Assets	268,960	-	268,960
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	73,431	-	73,431
Net Surplus/(Deficit) for the year	(12,953,981)	0	(12,953,981)
		2018	2017
		R	R

42 CORRECTION OF ERROR IN TERMS OF GRAP 3

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
42.1	Receivables from Exchange Transactions		
	Balance previously reported		12,904,036
	Correction of rental income to the correct period		37,500
	Restated Balance	<u>-</u>	<u>12,941,536</u>
42.2	Non-Current Provisions		
	Balance previously reported		2,942,280
	Correction of Provision for Alien Vegetation wrongly provided in previous years		(2,942,280)
	Restated Balance	<u>-</u>	<u>-</u>
42.3	Provisions	2018 R	2017 R
	Balance previously reported		759,167
	Correction of Provision for Alien Vegetation wrongly provided in previous years		(759,167)
	Restated Balance	<u>-</u>	<u>-</u>
42.4	Trade and Other Payables from Exchange Transactions	2018 R	2017 R
	Balance previously reported		11,947,338
	Correction of PAYE of previous periods		(55,588)
	Correction of TASK incorrectly classified as Unspent Grant		95,918
	Correction of Regional Landfill Site incorrectly classified as Unspent Grant		1,580,117
	Restated Balance	<u>-</u>	<u>13,567,784</u>
42.5	Unspent Transfers and Subsidies		
	Balance previously reported		4,282,258
	Correction of Regional Landfill Site incorrectly classified as Unspent Grant		(1,580,117)
	Correction of TASK incorrectly classified as Unspent Grant		(95,918)
	Restated Balance	<u>-</u>	<u>2,606,223</u>
42.6	Accumulated Surplus/(Deficit) - 1 July 2016		
	Correction of Provision for Alien Vegetation		(4,975,178)
	Correction of PAYE		(55,588)
	Correction of rental income		(28,728)
	Total	<u>-</u>	<u>(5,059,494)</u>

42.7 Changes to Statement of Financial Performance

Movement on operating account as a result of GRAP standards not implemented in prior years:

	Note	Balance previously reported	Adjustments	Restated Balance
Revenue				
Government Grants and Subsidies		147,546,786	(849,013)	146,697,773
Public Contributions and Donations		258	-	258
Actuarial Gains		4,548,713	-	4,548,713
Department of Transport - Roads Service Charges		159,611,440	-	159,611,440
Sales of Goods and Rendering of Services		11,886,118	-	11,886,118
Rent on Land		383,076	8,772	391,848
Rental of Facilities and Equipment		267,075	-	267,075
Interest Earned - External Investments		12,926,667	-	12,926,667
Interest Earned - Exchange Transactions		1,176,588	-	1,176,588
Licences and Permits from Exchange Transactions		215,028	-	215,028
Operational Revenue		1,119,860	(130,000)	989,861
Total		339,681,609	(970,241)	338,711,368
Expenditure				
Employee related costs		(110,028,891)	(62,790,882)	(172,819,773)
Employee related costs - Roads		(63,017,771)	63,017,771	-
Remuneration of Councillors		(9,421,247)	-	(9,421,247)
Bad Debts Written Off		(3,937,518)	-	(3,937,518)
Contracted Services		(32,567,822)	(1,382,177)	(33,950,000)
Depreciation and Amortisation		(3,032,191)	(0)	(3,032,191)
Finance Costs		(8,497)	(418,849)	(427,346)
Inventory Consumed		(1,870,820)	(41,280,474)	(43,151,294)
Operating Leases		(704,085)	-	(704,085)
Roads - Operating Expenditure		(81,432,041)	81,432,041	-
Transfers and Subsidies		(1,091,177)	-	(1,091,177)
Operational Costs		(18,835,643)	(38,872,150)	(57,707,793)
Total		(325,947,702)	(294,721)	(326,242,424)
Gains and Losses				
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value		1,110	-	1,110
Reversal of Impairment Loss/(Impairment Loss) on Receivables		(438,645)	-	(438,645)
Gains/(Loss) on Sale of Fixed Assets		(268,960)	-	(268,960)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets		(73,431)	-	(73,431)
Total		(779,926)	-	(779,926)
Net Surplus/(Deficit) for the year		12,953,981	(1,264,962)	11,689,019

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
43 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	5,987,172	11,689,019
<u>Adjustments for:</u>		
Depreciation and Amortisation	3,958,922	3,032,191
Loss/(Gain) on Sale of Fixed Assets	573,997	268,960
Impairment Loss/(Reversal of Impairment Loss)	(57,050)	73,431
Contributed Property, Plant and Equipment	-	-
Government Grants and Subsidies received	160,600,438	147,394,663
Government Grants and Subsidies repaid to National Revenue Fund	-	(16,117,460)
Government Grants and Subsidies recognised as revenue	(154,142,467)	(146,697,773)
Public Contributions received	55,600	984,111
Public Contributions recognised as revenue	(700,000)	-
Contribution from/to provisions - Non-Current Employee Benefits	8,307,708	10,155,347
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses	-	-
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains	(7,323,810)	(8,983,321)
Contribution from/to - Current Employee Benefits	5,795,156	1,040,004
Write-off of Current Employee Benefits	-	-
Contribution to provisions - Bad Debt	8,398,773	458,477
Operating Surplus/(Deficit) before changes in working capital	31,454,438	3,297,648
Changes in working capital	(7,413,847)	(9,600,580)
Increase/(Decrease) in Operating Lease Liability	13,658	(1,170)
Increase/(Decrease) in Trade and Other Payables	3,297,166	(1,162,161)
Increase/(Decrease) in Employee Benefits	-	-
Increase/(Decrease) in Taxes	254,839	(538,832)
Increase/(Decrease) in Unpaid Transfers and Subsidies	-	25,242
(Increase)/Decrease in Inventory	563,666	233,795
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(11,556,788)	(9,955,865)
(Increase)/Decrease in Other Receivables from Non-Exchange Transactions	-	1,773,599
(Increase)/Decrease in Operating Lease Asset	13,612	24,811
Cash generated/(absorbed) by operations	24,040,591	(6,302,932)
44 CASH AND CASH EQUIVALENTS	2018 R	2017 R
Cash and cash equivalents included in the cash flow statement comprise the following:		
Current Accounts - Note 10	161,869,181	141,568,608
Call Deposits and Investments - Note 10	498,607	1,134,742
Cash Floats - Note 10	15,883	15,883
Total cash and cash equivalents	162,383,670	142,719,233
45 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 44	162,383,670	142,719,233
<u>Less:</u>	(8,419,797)	(2,606,225)
Unspent Transfers and Subsidies - Note 17	(8,419,797)	(2,606,225)
VAT - Note 18	-	-
Net cash resources available for internal distribution	153,963,873	140,113,007
Allocated to:		
Capital Replacement Reserve	(31,704,865)	(27,728,373)
Resources available for working capital requirements	122,259,009	112,384,635
46 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 11	1,448,088	-
Used to finance property, plant and equipment - at cost	(1,448,088)	-
Cash invested for repayment of long-term liabilities	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

47 BUDGET INFORMATION

47.1 Explanation of variances between approved and final budget amounts

The reasons for the variances between the approved and final budgets are mainly due to virements, and additional allocations received from National/Provincial Treasury, the increase in the capital expenditure are mainly due to the grant received for the purchase of a fire truck and additional monies allocated for ICT equipment, and the reprioritising of capital projects, with the corresponding changes to funding sources.

Explanation of variances greater than 10% and R500,000: Final Budget and Actual Amounts

47.2 Statement of Financial Position

47.2.1 Current Assets

Variance

Other Debtors 658.18%

Overspending of Roads operational budget resulting in large debtor which was not budgeted for. Ambulance and Fire Fighting Debtors much higher than anticipated due to disastrous fires in the District.

Current Portion of long-term receivables 27.31%

Long term receivables mainly relates to the debtor of Department of Public Transport with regards to the employee post retirement benefit. Annually an actuarial valuation is performed to determine the liability, which is very sensitive to changes in actuarial assumptions and market conditions. The long term liability of the Roads agency function employees are offset by the long term debtor.

Inventory -25.20%

Decrease in stock levels at year-end due to orders that was closed on 15 June 2018.

47.2.2 Non-Current Assets

Intangible Assets -23.6%

Amortisation was higher than what was anticipated in the budget which resulted in a lower carrying value.

47.2.3 Current Liabilities

Borrowing 100.00%

Municipality did not budget for cellphone and tablet contracts to be classified as finance leases.

Trade and Other Payables -43.25%

Municipality over budgeted for Trade and Other Receivables as the amount budgeted was substantially higher as for the prior year.

Provisions 14.53%

Provisions were under budgeted as the amount budgeted was nearly the same as the prior year. Staff leave was higher due to the business leave that the municipality has granted during the December holidays.

47.2.4 Non-Current Liabilities

Borrowing 100.00%

Municipality did not budget for cellphone and tablet contracts to be classified as finance leases.

Provisions -10.75%

Actuarial Gain was not budgeted for which had a significant impact on the provision. Provision for alleviation of alien vegetation was also written back.

47.2.5 Net Assets

Reserves 11.85%

Transfer was made to the CRR which was not budgeted for. Additional cash was available to make the transfer.

Accumulated Surplus/(Deficit) 14.02%

Refer to above sections for reasons of variances between assets and liabilities effecting the surplus/(deficit)

Statement of Financial Performance

47.2.6 Revenue

Rental of Facilities and Equipment -77.41%

Additional income budgeted for the turnaround strategies of resorts and properties, however the turnaround strategy is still in process, additional income envisaged for next financial year

Interest Earned - Outstanding Debtors 93.78%

The budgeted split between interest on investments and interest on outstanding debtors was not correct. If the two are added together and compared to the actual amounts the variance is only 0.11%.

Agency Services 13.55%

Amount received from Department of Transport was higher than originally anticipated.

47.2.7 Expenditure

Employee Related Costs 57.53%

The amount for Roads were incorrectly budgeted for as part of Other Expenditure. If Employee Related Costs without the Roads functions were compared to the actual expenditure it would have shown an underspending of 1.67%.

Debt Impairment 611.63%

Due to outstanding fire fighting accounts outstanding for one year and impaired 100% in 17/18, reason for non payment of fire fighting accounts is dispute regarding the origin of fire, and write off of councillor outstanding debt in 16/17, thus minimum adjustment to impairment of receivables in 16/17.

Depreciation and Asset Impairment 27.51%

Increase in depreciation due to cellular/mobile devices included under assets, previous year was treated as expenditure and review of useful life and residual values

Contracted Services 15.40%

If the Roads Function was excluded from the actual amount for contracted services the underspending would have been 3.05%.

Other Expenditure -36.82%

All the Roads function expenditure were incorrectly budgeted for as Other Expenditure. If all the actual expenditure of the Roads Function were added to the actual Other Expenditure the budget variance would have been an underspending of 0.41%.

47.2.8 Cash Flow Statement

Interest -12.79%

Budgeted amount incorrectly included interest on outstanding debtors. If that was included in the actual amount the difference would have been a variance of 0.11%

Capital Assets 13.85%

Overspending on capital budget resulted in higher than anticipated cash outflow.

Borrowing long term/refinancing 100.00%

Municipality did not budget for cellphone and tablet contracts to be classified as finance leases.

48 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

2018
R2017
R

48.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance

876,692

76,403

Unauthorised expenditure current year - operational

26,180,203

-

Unauthorised expenditure current year - capital

2,120,369

800,288

Approved by Council or condoned

(76,403)

-

Transfer to receivables for recovery

-

-

Unauthorised expenditure awaiting authorisation

29,100,860

876,692

	2018 Actual R	2018 Final Budget R	2018 Variance R	2018 Unauthorised R
Unauthorised expenditure current year - operating				
Vote 1 - Executive and Council	47,185,734	47,273,689	87,955	-
Vote 2 - Budget and Treasury Office	18,918,137	20,362,098	1,443,961	-
Vote 3 - Corporate Services	34,394,907	39,345,086	4,950,179	-
Vote 4 - Planning and Development	18,644,047	16,688,147	(1,955,900)	1,955,900
Vote 5 - Public Safety	29,756,457	35,010,391	5,253,934	-
Vote 6 - Health	31,995,009	33,479,298	1,484,289	-
Vote 7 - Community and Social Services	-	-	-	-
Vote 8 - Sport and Recreation	11,609,576	12,639,951	1,030,376	-
Vote 9 - Waste Management	2,054,529	3,821,419	1,766,890	-
Vote 10 - Roads Transport	2,488,994	3,320,000	831,006	-
Vote 11 - Waste Water Management	-	-	-	-
Vote 12 - Water	-	17,843	17,843	-
Vote 13 - Environment Protection	2,494,452	2,461,226	(33,226)	33,226
Vote 14 - Roads Agency Function	189,191,076	165,000,000	(24,191,076)	24,191,076
	388,732,918	379,419,148	(9,313,770)	26,180,203

	2018 Actual R	2018 Final Budget R	2018 Variance R	2018 Unauthorised R
Unauthorised expenditure current year - capital				
Vote 1 - Executive and Council	410 769	421 000	10 231	-
Vote 2 - Budget and Treasury Office	133 448	-	(133 448)	133 448
Vote 3 - Corporate Services	1 162 708	1 633 000	470 292	-
Vote 4 - Planning and Development	763 812	64 000	(699 812)	699 812
Vote 5 - Public Safety	1 837 696	1 319 000	(518 696)	518 696
Vote 6 - Health	613 978	31 000	(582 978)	582 978
Vote 7 - Community and Social Services	177 804	-	(177 804)	177 804
Vote 8 - Sport and Recreation	216 578	1 100 000	883 422	-
Vote 9 - Waste Management	7 632	-	(7 632)	7 632
Vote 10 - Roads Transport	-	-	-	-
Vote 11 - Waste Water Management	-	-	-	-
Vote 12 - Water	-	-	-	-
Vote 13 - Environment Protection	-	108 500	108 500	-
Vote 14 - Roads Agency Function	-	-	-	-
	5 324 424	4 676 500	(647 924)	2 120 369
			2018 R	2017 R
48.2 Fruitless and wasteful expenditure				
Reconciliation of fruitless and wasteful expenditure:				
Opening balance			1 882 155	1 873 745
Interest: SARS Penalties and fines			-	8 410
Interest: Creditors			18 886	-
Condoned or written off by Council			(43 106)	-
Fruitless and wasteful expenditure awaiting condonement			1 857 935	1 882 155
48.3 Irregular expenditure				
Reconciliation of irregular expenditure:				
Opening balance			52 736 301	21 055 943
Irregular expenditure current year			39 136 426	31 680 358
Deviations (See disclosures below)			17 678 957	-
Irregular expenditure written-off as irrecoverable supported by council i.t.o section 32 of MFMA			(13 488 967)	-
Irregular expenditure awaiting further action			96 062 717	52 736 301
<p>The irregular expenditure of 2017/2018 relates mostly to the following.</p> <p>Splitting of orders R 84 800 (SCM reg. 12(3))</p> <p>Local production and content minimum threshold not specified in specifications R139 217 (MFMA s112(1))</p> <p>Non-compliance with Local Content Procurement requirements to the value of R2 683 656 (2017: R3 625 553)</p> <p>Contracts above R10 million not advertised as prescribed R36 053 079 (2017: R24 812 563)</p> <p>Long term contracts exceeding one year not advertised for a minimum period as prescribed of R175 674</p> <p>A payment was made to Lefatshe in terms of a settlement agreement amounting to R1 820 000 (VAT portion on R13 000 000) for the current financial year and R13 000 000 (exclusive of VAT) in the previous financial year. Council has requested a forensic investigation, the Legal Department is liaising with Province regarding assistance with the investigation.</p> <p>Deviations</p> <p>During the audit, the Office of the Auditor General identified additional irregular expenditure amounting to R17 678 957. This relates to non-compliance with Supply Chain Management Regulation 13(c), that requires that the Municipality should request declaration of interest from services providers, when calling for written quotation and bids. The Office of the Auditor General, when auditing our deviation procurement, took note that the municipality did not comply with this regulation. We are of the opinion that, since we have used SCM Regulation 36, which is the deviation from normal procurement processes, we are not required to comply with SCM regulation 13 (c). Regulation 13 (c) is specifically applicable to written quotes and bids (Normal Procurement processes).</p> <p>Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.</p>				
49 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT				
49.1 Contributions to organised local government - IMFMA 125 (1)(b) - (SALGA CONTRIBUTIONS)				
Opening balance			-	-
Council subscriptions			57 577	50 012
Amount paid - current year			(57 577)	(50 012)
Amount paid - previous years			-	-
Balance unpaid (included in creditors)			-	-
49.2 Audit fees - IMFMA 125 (1)(c)				
Opening balance			-	-
Current year audit fee			3 335 887	2 830 992
Amount paid - current year			(3 335 887)	(2 830 992)
Amount paid - previous year			-	-
Balance unpaid (included in creditors)			-	-

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R	2017 R
49.3		
<u>VAT - [MFMA 125 (1)(c)]</u>		
VAT input receivables and VAT outputs payable are shown in note 18. All VAT returns have been submitted by the due date throughout the year.		
49.4		
<u>PAYE and UIF - [MFMA 125 (1)(c)]</u>		
Opening balance	-	-
Current year payroll deductions	27,139,747	23,073,862
Amount paid - current year	(27,139,747)	(23,073,862)
Balance unpaid (included in creditors)	-	-
49.5		
<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	29,922,127	24,896,055
Amount paid - current year	(29,922,127)	(24,896,055)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	-	-
49.6		
<u>Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</u>		
The following Councillor had a arrear account outstanding for more than 90 days during the year.		
	Total	90+ Days
30 June 2018		
The following amount is outstanding for overpayment of Councillor remuneration: V Gericke	158,278	158,278
30 June 2017		
The following amounts are outstanding regarding travel allowances:		
AM Wilderman	846,349	846,349
JL Hartnick	574,780	574,780
J Bouwer	396,661	396,661
JMG Bekker	331,790	331,790
PJ Roodtman	292,541	292,541
SCP Biljohn	114,888	114,888
HJ Loff	108,853	108,853
HJ Mc Combi	104,476	104,476
A Hartnick	87,313	87,313
JJA Koegeleberg	68,660	68,660
JE Davids	51,852	51,852
A Ewerts	50,160	50,160
J Harmse	44,529	44,529
CN Ngalo	32,031	32,031
FH Stemmet	30,538	30,538
B Le Roux	28,996	28,996
P van der Hoven	26,222	26,222
E Nel	17,853	17,853
PJW Murray	15,497	15,497
JST Alberts	13,993	13,993
M Fielies	10,781	10,781
EKV van Eden	9,293	9,293
PJL Grobler	8,657	8,657
A Baartman	7,548	7,548
N Bityi	4,646	4,646
D Kampher	994	994
EN Mtabati	1,496	1,496
F Joseph	354	354
R Johannes	1,953	1,953
J Maxim	8,747	8,747
	3,292,451	3,292,451

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

30 June 2017

The following amounts are outstanding regarding cellphone accounts:

D Kamfer	18,633	18,633
S Lollwe	17,883	17,883
Kroma	8,945	8,945
M Fielles	9,653	9,653
HJ McCombi	8,328	8,328
TME Gombo	5,498	5,498
S de Vries	3,073	3,073
Ewerts	3,148	3,148
J Kemoetie	1,711	1,711
JH Loff	1,370	1,370
J Maxim	1,087	1,087
Dorfling	912	912
CN Ngalo	947	947
E Mtabati	1,496	1,496
F Stemmet	801	801
J Bekker	381	381
TA Simmers	2,038	2,038
	<u>85,906</u>	<u>85,906</u>

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

49.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. Deviations for the amount of R22,841,672.90 has been condoned by council.

Deviations from procurement processes in terms of section 36 of the Supply Chain Management Regulations were identified on the following categories:

30 June 2018	Up to R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Community Services	1,222,668	3,933,080.31	2,904,939.04	-
Corporate/Strategic Services	812,360	1,270,441.63	2,782,856.81	-
Financial Services	161,886	120,074.52	-	-
Office of the Municipal Manager	-	103,440.75	-	-
Office of the Political Staff	80,768	342,474.43	798,067.50	-
Planning and Economic Development Services	-	120,433.44	-	-
Roads Services	1,745,445	4,089,566.93	2,353,169.42	-
	4,023,128	9,979,512	8,839,033	-

The major deviations were as follows:

Awarded to	Reason/Explanation	Amount
Savannah Helicopters	Emergency	280,098
Vehicle - (Halfway Toyota)	Emergency	540,718
Southern cape fire Protection Ass	Impractical Procurement Process	349,040
Savannah Helicopters	Impractical Procurement Process	245,100
Savannah Helicopters	Impractical Procurement Process	347,707
Working on Fire	Impractical Procurement Process	926,942
Schroter & Associate Attorneys	Impractical Procurement Process	232,450
UBERTECH IT Consulting & Services	Impractical Procurement Process	459,802
South Cape Fire Protection Ass	Emergency	336,660
Vesta Technical Services	Impractical Procurement Process	270,605
Vesta Technical Services	Emergency	246,005
Vesta	Impractical Procurement Process	1,494,992
Working on Fire	Impractical Procurement Process	1,820,000
Total		7,550,118

30 June 2017	Up to R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Financial Services	216,677	186,415	-	-
Community Services	761,766	1,195,655	3,630,899	-
Office of the MM	41,589	127,991	-	-
Strategic Services	730,235	1,248,154	2,565,090	13,000,000
Technical Services	1,507,123	1,440,278	-	-
	3,257,390	4,198,494	6,195,989	13,000,000

The major deviations were as follows:

Awarded to	Reason/Explanation	Amount
Haycock Attorneys	Impractical Procurement Process	13,000,000
Working on Fire	Emergency	1,877,769
SALGA	Impractical Procurement Process	1,774,910
Southern Cape Fire Protection Association	Emergency	860,311
Working on Fire	Emergency	684,541
Business Engineering	Sole Supplier	245,100
Savannah Helicopters	Emergency	208,278
Working on Fire	Impractical Procurement Process	190,046
Abakus	Sole Supplier	184,297
Klein Karoo Kooperasie	Emergency	180,000
Total		19,205,252

49.8 Trading with Employees in Service of the State

The following purchases were made from close family members of persons in the service of the state :

Supplier	Name	State Department	2018 R	2017 R
IGB Trading	NM Boumeester	NM Boumeester's (secretary Garden Route District Municipality) husband owns IGB Trading	6,661	42,481
Shabby to Chick - Zingfontein Estates	J Stander	J Stander's (Manager Finance Garden Route District Municipality) brother-in-law owns Shabby to Chick	5,740	22,410
Piston Power Chemicals CC	Ujush Andhee	Nadira Andhee (wife) - teacher at KZN Department of Education	502,973	423,476
Imvusa Trading	Angeline Lekay	Harold Lekay (Husband) - Oudtshoorn Municipality (Community Services - Cleaning)	11,923	88,510
RJL General Trading (Pty) Ltd	Marilyn Swartz	Fredericks Swartz (Husband) - works for Department of Health	138,729	-
Mubeko Africa (Pty) Ltd and MooreStephens MO Inc - Consortium	B Engelbrecht	B Holtzhausen (Mother) - Executive Manager Corporate Services Garden Route District Municipality	949,856	2,611,040
			1,615,882	3,187,917

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

The following purchases were made from Suppliers whose shareholders is in service of the state:

Supplier	Employee	State Department	2018 R	2017 R
Lezmin Quarries	J Pieterse - Director 2017/2018: No Longer Director	SAPS	-	2,270,987
Southern Cape Fire Protection Association	G Otto - Director 2017/2018: No Longer Director	Garden Route District Municipality	-	271,480
			<u>-</u>	<u>2,542,467</u>
			2018 R	2017 R

50 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

1% (2017: 1%) Increase in interest rates	(12,614)	1,767
1% (2017: 1%) Decrease in interest rates	12,614	(1,767)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	2018 %	2018 R	2017 %	2017 R
The provision for bad debts could be allocated between the different classes of debtors as follows:				
Rental Agreements	6.34%	1,249,947	8.37%	945,639
Ambulance and Fire Fighting Fees	82.93%	16,340,036	51.44%	5,814,719
Other Arrears	10.73%	2,113,638	40.20%	4,544,320
Total	100.00%	19,703,621	100.00%	11,304,678

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 8 and 9 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

Ageing of amounts past due but not impaired are as follow:

	Exchange Receivables	Non-exchange Receivables
2018		
1 month past due	134,812	-
2+ months past due	1,146,150	-
	1,280,962	-
2017		
1 month past due	5,142,410	-
2+ months past due	5,263,811	-
	10,406,221	-

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (Investec, Nedbank, ABSA, First National Bank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2018 R	2017 R
Financial assets exposed to credit risk at year end are as follows:		
Non-Current Receivables from Exchange Transactions	-	-
Non-Current Receivables from Non-Exchange Transactions	-	-
Receivables from exchange transactions	36,030,515	24,246,385
Receivables from non-exchange transactions	100,556	100,556
Cash and Cash Equivalents	129,938,784	138,805,042
	166,069,855	163,151,983

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2018				
Long-term Liabilities	965,467	613,201	-	-
Trade and Other Payables	16,864,948	-	-	-
	<u>17,830,415</u>	<u>613,201</u>	<u>-</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2017				
Long-term Liabilities	-	-	-	-
Trade and Other Payables	13,567,781	-	-	-
	<u>13,567,781</u>	<u>-</u>	<u>-</u>	<u>-</u>
			2018	2017
			R	R
51 FINANCIAL INSTRUMENTS				
In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:				
51.1	Financial Assets	Classification		
	Investments			
	Unlisted Shares	Financial Instruments at fair value	26,027	26,027
	Investment in Municipal Entities	Financial Instruments at cost	-	-
	Investment in Joint Ventures	Financial Instruments at cost	-	-
	Investment in Associates	Financial Instruments at cost	-	-
	Investment in Municipal Stock	Financial Instruments at cost	-	-
	Fixed Deposits	Financial Instruments at amortised cost	-	-
			2018	2017
			R	R
	Non-Current Receivables			
	Receivables with repay arrangements	Financial Instruments at amortised cost	-	-
	Sport Club Loans	Financial Instruments at amortised cost	-	-
	Housing Loans	Financial Instruments at amortised cost	-	-
			2018	2017
			R	R
	Receivables from Exchange Transactions			
	Electricity	Financial Instruments at amortised cost	-	-
	Water	Financial Instruments at amortised cost	-	-
	Property Rentals	Financial Instruments at amortised cost	-	-
	Ambulance and Fire Fighting Fees	Financial Instruments at amortised cost	1,669,235	1,042,168
	Waste Management	Financial Instruments at amortised cost	18,349,695	14,928,703
	Housing Selling Scheme	Financial Instruments at amortised cost	-	-
	Water and Sanitation Service Authority	Financial Instruments at amortised cost	-	-
	Abeeyance	Financial Instruments at amortised cost	-	-
	Other Arrears	Financial Instruments at amortised cost	3,720,411	2,723,260
			2018	2017
			R	R
	Cash and Cash Equivalents			
	Bank Balances	Financial Instruments at amortised cost	161,869,181	141,568,608
	Call Deposits	Financial Instruments at amortised cost	498,607	1,134,742
	Total Financial Assets		186,133,155	161,423,507
			2018	2017
			R	R
	SUMMARY OF FINANCIAL ASSETS			
	Financial Instruments at cost:			
	Investments	Unlisted shares	-	-
	Investments	Investment in Joint Ventures	-	-
	Investments	Investment in Associates	-	-
	Investments	Investment in Municipal Stock	-	-
			<u>-</u>	<u>-</u>
			<u>-</u>	<u>-</u>

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
Financial Instruments at amortised cost:			
Investments	Fixed Deposits	-	-
Long-term Receivables	Receivables with repay arrangements	-	-
Long-term Receivables	Sport Club Loans	-	-
Long-term Receivables	Housing Loans	-	-
Receivables from Exchange Transactions	Electricity	-	-
Receivables from Exchange Transactions	Water	-	-
Receivables from Exchange Transactions	Property Rentals	1,669,235	1,042,168
Receivables from Exchange Transactions	Ambulance and Fire Fighting Fees	18,349,895	14,928,703
Receivables from Exchange Transactions	Waste Management	-	-
Receivables from Exchange Transactions	Housing Selling Scheme	-	-
Receivables from Exchange Transactions	Water and Sanitation Service Authority	-	-
Receivables from Exchange Transactions	Abeance	-	-
Receivables from Exchange Transactions	Other Arrears	3,720,411	2,723,260
Cash and Cash Equivalents	Bank Balances	161,869,181	141,568,608
Cash and Cash Equivalents	Call Deposits	498,607	1,134,742
		<u>186,107,128</u>	<u>161,397,480</u>
Financial Instruments at fair value:			
Investments	Listed Investments	26,027	26,027
		<u>26,027</u>	<u>26,027</u>
Total Financial Assets		<u>186,133,155</u>	<u>161,423,507</u>
51.2 Financial Liabilities	Classification		
Long-term Liabilities			
Annuity Loans	Financial Instruments at amortised cost	-	-
Capitalised Lease Liability	Financial Instruments at amortised cost	1,448,088	-
Trade and Other Payables			
Trade Payables	Financial Instruments at amortised cost	3,359,262	6,880,571
Accrued Interest	Financial Instruments at amortised cost	-	-
Advance Payments	Financial Instruments at amortised cost	2,725,260	1,566,194
Control, Clearing and Interface Accounts	Financial Instruments at amortised cost	334,434	(21,969)
Other Payables	Financial Instruments at amortised cost	4,655,873	1,952,018
Retentions	Financial Instruments at amortised cost	-	165,632
Cash and Cash Equivalents			
Bank Overdraft	Financial Instruments at amortised cost	-	-
		<u>12,522,916</u>	<u>10,542,445</u>
SUMMARY OF FINANCIAL LIABILITIES			
Financial instruments at amortised cost:			
Long-term Liabilities	Annuity Loans	-	-
Long-term Liabilities	Capitalised Lease Liability	1,448,088	-
Trade and Other Payables	Trade Payables	3,359,262	6,880,571
Trade and Other Payables	Accrued Interest	-	-
Trade and Other Payables	Advance Payments	2,725,260	1,566,194
Trade and Other Payables	Control, Clearing and Interface Accounts	334,434	(21,969)
Trade and Other Payables	Other Payables	4,655,873	1,952,018
Trade and Other Payables	Retentions	-	165,632
Cash and Cash Equivalents	Bank Overdraft	-	-
		<u>12,522,916</u>	<u>10,542,445</u>
52 STATUTORY RECEIVABLES			
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:			
Taxes			
VAT Receivable		317,038	571,877
Receivables from Non-Exchange Transactions			
Rates		-	-
Fines		-	-
Total Statutory Receivables (before provision)		317,038	571,877
Less: Provision for Debt Impairment		-	-
Total Statutory Receivables (after provision)		<u>317,038</u>	<u>571,877</u>

GARDEN ROUTE DISTRICT MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
53	IN-KIND DONATIONS AND ASSISTANCE		
	The municipality received the following in-kind donations and assistance:		
	Mr. John Kruyt (Advisor on National Treasury GTAC program)	-	982,800
	Miss. Elandie Terblanche (Intern from Western Cape Provincial Treasury)	132,190	226,000
	Mr. Eduard Lotz (Advisor on Municipal Infrastructure Support Agent Program)	-	134,784
	Total In-kind Donations and Assistance	132,190	1,343,584
54	PRIVATE PUBLIC PARTNERSHIPS		
	Garden Route District Municipality is in the process of concluding a Public Private Partnership with regards to the establishment of a regional landfill site in Mossel Bay. The land was purchased in 2014/2015, the construction and management of the landfill site will be done by concluding a Public Private Partnership. The closing date for submission of tenders was 31 July 2015, but was extended as the relevant MFMA/SCM/PPP processes have not been concluded. A preferred and reserved bidder has been appointed, currently negotiations are underway with the Preferred bidder. Treasury Views and Recommendations (TVR) IIB has been obtained, the next phase is obtaining TVR 3 from National Treasury. The public private agreement has to be concluded and S33 (contract longer than three years) of the Municipal Finance Management Act must be initiated as this will be a 10 year contract. There are currently four participating local municipalities who will be contributing monthly to Garden Route District Municipality for the utilization of the regional landfill site. The participating municipalities have included the contributions for the regional landfill site in their respective budgets that have been approved by council in May 2018. It is estimated that the first cell will be operational 1 July 2019, after all applicable processes have been concluded.		
55	CONTINGENT LIABILITY		
55.1	Theunis Barnard / Garden Route DM / September January		
	We received a summons from Calmanz Incorporated, with regards to an accident that happened on 5 February 2010. The driver of the vehicle was September January and at the time of the accident employed at Garden Route District Municipality. The vehicle had the registration number PA 175 129. This matter was referred to their Insurance company. Notice of intention to defend was issued. The matter is currently not resolved.	38,231	38,231
55.2	F du Toit / DL du Plooy / Garden Route DM		
	Dr du Toit and his fiancé went on vacation at Victoria Bay Camp Site. They were robbed of valuable items. Therefore they are suing Garden Route District Municipality for damages. This case was referred to Millers Attorneys. A notice of intention to defend was issued. Millers recommend that Advocate Schmidt be appointed in this matter. The Municipal Manager signed the disclosure statement and it was sent to Millers for further action. The matter is dormant. No further correspondence was received from the opposition.	-	376,750
55.3	Hoogbaard / Delo vs. Garden Route DM / GW Louw		
	A joint summons against Garden Route District Municipality DM and Mr GW Louw for alleged defamation of character. They claim an amount of R 300 000.00 each. The Council appointed Attorneys to defend the case. There is no further movement on the file and the opposition have not applied for a hearing date. The opposition must decide the way forward, Garden Route District Municipality will not incur unnecessary costs. This case is dormant. There is no prospect of success and claimants might decide to withdraw.		600,000
55.4	I Gerber N.O and others / Garden Route DM and P McKenzie		
	The Cape Town High Court issued a court order against Garden Route District Municipality. In terms of the said order each party is liable for its own costs in respect of the said Application. In addition the court ordered the Applicant to bring a court application on or before the 31st of July 2013, in order to review Garden Route DM's decision to lease Part 4 of the farm Woodville 172, Division George to Peter McKenzie (the second Respondent), which will have further cost implications for Garden Route DM. Lastly instructions were issued that a lease be drafted in the interim between the relevant parties. Garden Route District Municipality obtained an eviction order against Gerber. Gerber did not vacate the premises on the due date and eviction notice was served. The pre-trial date for the case is set for 20 August 2018.	21,840	21,840
55.5	Possible Dispute with B-Municipalities Regarding Properties Registered in Garden Route District Municipality's		
	the local municipalities have disputed that these properties can in fact be disposed since it was supposed to be transferred to them because the assets were supposed to follow the function and since Garden Route District Municipality are not fulfilling some of these anymore the local municipalities are claiming these properties. The Municipality intends to dispute this claim.	17,400,000	68,088,327

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
55.6	Andrew de Wet vs Garden Route District Municipality		
	Mr De Wet instituted a claim against Garden Route District Municipality. He drove through a pothole with his bicycle. He sustained serious head and facial injuries and damage to his bicycle.	614,675	614,675
55.7	Barry Louis Rae Trust / Farm Uitvlugt 269 Fire		
	Claim for damages as a result of the fire that spread (29 August until 1 September 2016)	4,500,000	4,500,000
55.8	Combined Summons: Laurington Sithemile Stone vs Garden Route DM		
	Car accident that occurred. This matter was referred to Province.	43,272	43,272
55.9	Combined Summons: Banger Car Hire vs Garden Route DM		
	Car accident that occurred. This matter was referred to Province.	18,800	18,800
55.1	Uniondale Correction Facility on behalf of Department of Public works		
	Electricity consumption for 2006 - 2011. A claim of R8.3 m has been received. The matter is dormant	-	8,323,662
55.11	Tommy de Bruyn		
	This matter was finalised by Garden Route District Municipality and the stated amount was paid to Mr. de Bruyn.	-	268,967
55.12	K Langeveld		
	Unfair labour practice. This matter was finalised by Garden Route District Municipality and a request for payment was done by Labour Relations on 7 July 2017. The money that was paid to M. Langeveldt was R382 993.32.	-	382,993
55.13	JL du Preez		
	Unfair dismissal. Arbitration on this matter is still to be held. Estimated claim is based 12 months compensation (R142 611.12 x 12). This case has been closed and Garden Route District Municipality paid the legal cost of the Plaintiff.	-	1,711,333
55.14	Combined Summons between George Municipality, Garden Route District Municipality and D Stoffels		
	On 12 July 2017 the combined summons was received. On or about 1 September 2016 on the Jonkrus / De Vlugt Road a collision occurred between the Plaintiff's vehicle and CAW64439 driven by the second defendant in the course and scope of his employment with the First Defendant.	20,836	-
55.15	Combined Summons between G Brown and Garden Route District Municipality		
	On 1 August 2017 we received the combined summons. On or about 16 August 2015, at or near Rheenendal Road, Phantom Acres damage occurred to the Plaintiff's Vehicle while driving through a pothole.	31,032	-
55.16	Labour disputes		
	The Labour Relations Section has the following disputes lodged for the financial year end June 2018. All disputes have not yet been finalised and only an estimation is made based on the claims put forth by the applicants and the possible outcomes as per the Code of Good Practice of the Labour Relations Act as amended.		
	V Blom & Roode	500,000	-
	L Janse van Rensburg & A Grobler	300,000	-
		23,488,686	84,988,851

GARDEN ROUTE DISTRICT MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

		2018 R	2017 R
56	RELATED PARTIES		
	Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.		
56.1	Related Party Transactions		
	The following purchases were made during the year where Councillors or staff have an interest:		
		Transaction(s) value	Outstanding Balance
	Year ended 30 June 2018		
	Mubesko Africa Pty (Ltd)		
	B Holtzhausen (Garden Route District Municipality's Executive Manager Corporate Services) daughter works for Mubesko Africa (Pty) Ltd. Garden Route District Municipality received GRAP and mSCOA support services from Mubesko Africa.	949,856	486,643
	Shabby to Chick – Zingfontein Estates		
	J Stander (Garden Route District Municipality's Manager Finance) brother-in-law owns Shabby to Chick. Garden Route District Municipality received Property, plant and equipment from Shabby to Chick.	5,740	-
		<u>955,596</u>	<u>486,643</u>
		Transaction(s) value	Outstanding Balance
	Year ended 30 June 2017		
	Mubesko Africa Pty (Ltd)		
	B Holtzhausen (Garden Route District Municipality's Executive Manager Corporate Services) daughter works for Mubesko Africa (Pty) Ltd. Garden Route District Municipality received GRAP and mSCOA support services from Mubesko Africa.	1,472,369	1,124,950
	Shabby to Chick – Zingfontein Estates		
	J Stander (Garden Route District Municipality's Manager Finance) brother-in-law owns Shabby to Chick. Garden Route District Municipality received Property, plant and equipment from Shabby to Chick.	22,410	-
		<u>1,494,779</u>	<u>1,124,950</u>
56.2	Related Party Loans		
	Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 8 to the Annual Financial Statements.		
56.3	Compensation of key management personnel		
	The compensation of key management personnel is set out in note 31 to the Annual Financial Statements.		

APPENDIX A
GARDEN ROUTE DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2017	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2018	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with the MFMA
LEASE LIABILITY										
Office Equipment				-	-	-	-	-	-	-
Mobile Communication Devices				-	-	1,748,944	(300,856)	1,448,088	1,466,144	-
Total Lease Liabilities		334621609	2020/06/14	-	-	1,748,944	(300,856)	1,448,088	-	-
TOTAL EXTERNAL LOANS				-	-	1,748,944	(300,856)	1,448,088	-	-

APPENDIX B
GARDEN ROUTE DISTRICT MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 June 2017	Correction of Error	Restated Balance 30 June 2017	Contributions during the year	Interest on Investments	Repaid to National Revenue Fund	Operating Expenditure Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	VAT on Grants	Balance 30 June 2018	Unspent 30 June 2018 (Creditor)	Unpaid 30 June 2018 (Debtor)
National Government Grants												
Equitable Share	-	-	-	146,055,000	-	-	(146,055,000)	-	-	-	-	-
Local Government Financial Management Grant	-	-	-	1,250,000	-	-	(1,173,951)	-	(76,050)	-	-	(1)
Municipal System Improvement Grant	-	-	-	-	-	-	-	-	-	-	-	-
Expanded Public Works Programme Integrated Grant	-	-	-	1,280,000	-	-	(1,280,000)	-	-	-	-	-
Energy Efficiency and Demand Side Management	-	-	-	5,000,000	-	-	(11,200)	-	-	4,987,120	4,987,120	-
Regional Bulk Infrastructure Grant	381,288	-	381,288	-	-	-	(574,771)	-	(39,229)	381,288	381,288	-
Municipal Disaster Grant	-	-	-	2,000,000	-	-	(2,595,959)	-	(348,460)	1,386,000	1,386,000	-
Rural Road Asset Management Systems Grant	524,419	-	524,419	-	-	-	-	-	-	-	-	-
list	-	-	-	-	-	-	-	-	-	-	-	-
Total National Government Grants	905,707	-	905,707	158,005,000	-	-	(151,690,881)	-	(465,419)	6,754,407	6,754,408	(1)
Provincial Government Grants												
Greenest Municipality Competition	-	-	-	130,000	-	-	(130,000)	-	-	-	-	-
Bucket system Elimination Schools/Clinic	-	-	-	-	-	-	-	-	-	-	-	-
Integrated Transport Planning	-	-	-	900,000	-	-	-	-	-	900,000	900,000	-
Mandela Memorial Celebrations	-	-	-	-	-	-	-	-	-	-	-	-
Braille Project	-	-	-	-	-	-	-	-	-	-	-	-
Financial Management Support	78,213	-	78,213	620,000	-	-	(618,299)	-	(1,701)	78,213	78,213	-
DWA: Abstraction Validation on Bitou	-	-	-	-	-	-	(597,973)	-	-	202,027	202,027	-
Fire Services Capacity Building Grant	-	-	-	800,000	-	-	-	-	-	-	-	-
Total Provincial Government Grants	78,213	-	78,213	2,450,000	-	-	(1,346,272)	-	(1,701)	1,180,240	1,180,240	-
Other Grant Providers												
Regional Bulk Infrastructure - Regional Landfill Site	-	-	-	-	-	-	-	-	-	-	-	-
LGESTA-Re-Imbursements	638,194	-	638,194	145,438	-	-	(638,194)	-	-	145,438	145,438	-
Nelson Mandela Biosphere Reserve Project	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Grant Providers	638,194	-	638,194	145,438	-	-	(638,194)	-	-	145,438	145,438	-
Total Grants	1,622,114	-	1,622,114	180,500,438	-	-	(153,675,347)	-	(467,120)	8,080,085	8,080,086	(1)
Public Contributions												
Knysna Relief Fund	984,111	-	984,111	55,600	-	-	(700,000)	-	-	339,711	339,711	-
Total Public Contributions	984,111	-	984,111	55,600	-	-	(700,000)	-	-	339,711	339,711	-

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. No grants were withheld.

MUN - Reconciliation of Table A1 Budget Summary

Description	2017/18						2016/17					
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
R thousands												
Financial Performance												
Property rates	-	-	-	-		-	0.0%	0.0%	-			-
Service charges	-	-	-	-		-	0.0%	0.0%	-		0	-
Investment revenue	11,124	961	12,084	12,916		-	0.0%	0.0%	-			14,103
Transfers recognised - operational	152,945	7,600	160,545	155,063		-	0.0%	0.0%	-			146,698
Other own revenue	181,160	30,310	211,471	227,441		-	0.0%	0.0%	-			177,910
Total Revenue (excluding capital transfers and contributions)	345,229	38,871	384,100	395,420		-	0.0%	0.0%	-			338,711
Employee costs	118,903	9,848	128,751	202,821	-	-	0.0%	0.0%	-	-	-	172,820
Remuneration of councillors	10,815	-	10,815	10,981		-	0.0%	0.0%	-	-	-	9,421
Debt impairment	3,070	(10)	3,060	10,828		-	0.0%	0.0%	-	-	-	4,376
Depreciation & asset impairment	-	-	-	3,902	-	-	0.0%	0.0%	-	-	-	3,106
Finance charges	-	-	-	79	-	-	0.0%	0.0%	-	-	-	427
Materials and bulk purchases	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Transfers and grants	-	-	-	2,304	-	-	0.0%	0.0%	-	-	-	1,091
Other expenditure	209,976	26,817	236,793	160,823	-	-	0.0%	0.0%	-	-	-	135,781
Total Expenditure	342,764	36,655	379,419	391,736	-	-	0.0%	0.0%	-	-	-	327,022
Surplus/(Deficit)	2,465	2,216	4,681	3,684		-	0.0%	0.0%	-			11,689
Transfers recognised - capital	-	-	-	-		-	0.0%	0.0%	-			-
Contributions recognised - capital & contributed assets	-	-	-	-		-	0.0%	0.0%	-			-
Surplus/(excess) after capital transfers & contributions	2,465	2,216	4,681	3,684		-	0.0%	0.0%	-			11,689
Share of surplus/ (deficit) of associate	-	-	-	-		-	-	-	-			-
Surplus/(Deficit) for the year	2,465	2,216	4,681	3,684		-	0.0%	0.0%	-			11,689
Capital expenditure & funds sources												
Capital expenditure	2,459	2,218	4,677									
Transfers recognised - capital	-	800	800	-		-	0.0%	0.0%	-			-
Public contributions & donations	-	-	-	-		-	0.0%	0.0%	-			-
Borrowing	-	-	-	-		-	0.0%	0.0%	-			-
Internally generated funds	2,459	1,418	3,877	-		-	0.0%	0.0%	-			-
Total sources of capital funds	2,459	2,218	4,677	-		-	0.0%	0.0%	-			-
Cash flows												
Net cash from (used) operating	6,657	12,454	19,110	24,041		-	0.0%	0.0%	-			(6,328)
Net cash from (used) investing	(2,459)	(2,218)	(4,677)	(5,824)		-	0.0%	0.0%	-			(6,350)
Net cash from (used) financing	-	-	-	1,448		-	0.0%	0.0%	-			-
Cash/cash equivalents at the year end	159,532	10,236	169,768	162,384		-	0.0%	0.0%	-			142,719

MUN - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2017/18						2016/17					
	Original Budget	Budget Adjustments (i.to. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue - Standard												
Governance and administration	192,572	37,343	229,916	197,432		-	0.0%	0.0%				171,652
Executive and council	192,041	36,549	228,590	196,542		-	0.0%	0.0%				171,484
Finance and administration	532	794	1,326	890		-	0.0%	0.0%				169
Internal audit	-	-	-	-		-	0.0%	0.0%				-
Community and public safety	6,921	-	6,921	7,270		-	0.0%	0.0%				7,234
Community and social services	-	-	-	-		-	0.0%	0.0%				-
Sport and recreation	6,713	-	6,713	7,054		-	0.0%	0.0%				7,000
Public safety	-	-	-	-		-	0.0%	0.0%				-
Housing	-	-	-	-		-	0.0%	0.0%				-
Health	208	-	208	216		-	0.0%	0.0%				234
Economic and environmental services	145,314	-	145,314	190,019		-	0.0%	0.0%				159,826
Planning and development	-	-	-	614		-	0.0%	0.0%				-
Road transport	145,000	-	145,000	189,191		-	0.0%	0.0%				-
Environmental protection	314	-	314	214		-	0.0%	0.0%				159,611
Trading services	422	1,528	1,950	-		-	0.0%	0.0%				215
Electricity	-	-	-	-		-	0.0%	0.0%				-
Water	-	-	-	-		-	0.0%	0.0%				-
Waste water management	-	-	-	-		-	0.0%	0.0%				-
Waste management	422	1,528	1,950	-		-	0.0%	0.0%				-
Other	-	-	-	-		-	0.0%	0.0%				-
Total Revenue - Standard	345,229	38,871	384,100	394,720		-	0.0%	0.0%				338,712

MUN - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2017/18							2016/17				
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Expenditure - Standard												
Governance and administration	112,150	2,226	114,375	100,494	-	-	0.0%	0.0%	-	-	-	100,429
Executive and council	43,977	744	44,720	44,491	-	-	0.0%	0.0%	-	-	-	51,700
Finance and administration	65,711	1,405	67,115	53,309	-	-	0.0%	0.0%	-	-	-	46,899
Internal audit	2,463	77	2,540	2,694	-	-	0.0%	0.0%	-	-	-	1,831
Community and public safety	69,838	12,089	81,927	73,365	-	-	0.0%	0.0%	-	-	-	66,398
Community and social services	6,358	5,369	11,727	-	-	-	0.0%	0.0%	-	-	-	-
Sport and recreation	12,640	-	12,640	11,610	-	-	0.0%	0.0%	-	-	-	10,905
Public safety	26,478	1,020	27,498	29,761	-	-	0.0%	0.0%	-	-	-	29,053
Housing	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Health	24,362	5,700	30,062	31,995	-	-	0.0%	0.0%	-	-	-	26,440
Economic and environmental services	155,630	20,782	176,412	212,819	-	-	0.0%	0.0%	-	-	-	157,666
Planning and development	5,030	600	5,630	18,644	-	-	0.0%	0.0%	-	-	-	9,775
Road transport	148,320	20,000	168,320	191,680	-	-	0.0%	0.0%	-	-	-	146,170
Environmental protection	2,280	182	2,462	2,494	-	-	0.0%	0.0%	-	-	-	1,721
Trading services	2,281	1,558	3,839	2,055	-	-	0.0%	0.0%	-	-	-	2,530
Electricity	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Water	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Waste water management	18	-	18	-	-	-	0.0%	0.0%	-	-	-	344
Waste management	2,263	1,558	3,821	2,055	-	-	0.0%	0.0%	-	-	-	-
Other	2,866	-	2,866	-	-	-	0.0%	0.0%	-	-	-	2,186
Total Expenditure - Standard	342,764	36,655	379,419	388,733	-	-	0.0%	0.0%	-	-	-	-
Surplus/(Deficit) for the year	2,465	2,216	4,681	-5,987	-	-	0.0%	0.0%	-	-	-	327,023
							0.0%	0.0%	-	-	-	11,689

MUN - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2017/18							2016/17				
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Revenue by Vote												
Vote 1 - Executive and Council	192,391	36,645	229,035	196,542		-	0.0%	0.0%				171,484
Vote 2 - Budget and Treasury Office	-	-	-	-		-	0.0%	0.0%				2
Vote 3 - Corporate Services	182	698	880	890		-	0.0%	0.0%				166
Vote 4 - Planning and Development	-	-	-	614		-	0.0%	0.0%				-
Vote 5 - Public Safety	-	-	-	-		-	0.0%	0.0%				-
Vote 6 - Health	208	-	208	216		-	0.0%	0.0%				234
Vote 7 - Community and Social Services	-	-	-	-		-	0.0%	0.0%				-
Vote 8 - Sport and Recreation	6,713	-	6,713	7,054		-	0.0%	0.0%				7,000
Vote 9 - Waste Management	422	1,528	1,950	-		-	0.0%	0.0%				-
Vote 10 - Roads Transport	-	-	-	-		-	0.0%	0.0%				-
Vote 11 - Waste Water Management	-	-	-	-		-	0.0%	0.0%				-
Vote 12 - Water	-	-	-	-		-	0.0%	0.0%				-
Vote 13 - Environment Protection	314	-	314	214		-	0.0%	0.0%				215
Vote 14 - Roads Agency Function	145,000	-	145,000	189,191		-	0.0%	0.0%				159,611
Vote 15 - Electricity	-	-	-	-		-	0.0%	0.0%				-
Total Revenue by Vote	345,229	38,871	384,100	394,720		-	0.0%	0.0%				338,712
Expenditure by Vote to be appropriated												
Vote 1 - Executive and Council	46,560	714	47,274	47,186	-	-	0.0%	0.0%	-	-	-	51,700
Vote 2 - Budget and Treasury Office	20,172	190	20,362	18,918	-	-	0.0%	0.0%	-	-	-	19,297
Vote 3 - Corporate Services	38,523	822	39,345	34,395	-	-	0.0%	0.0%	-	-	-	29,432
Vote 4 - Planning and Development	12,419	4,269	16,688	18,644	-	-	0.0%	0.0%	-	-	-	9,775
Vote 5 - Public Safety	31,990	3,020	35,010	29,756	-	-	0.0%	0.0%	-	-	-	29,053
Vote 6 - Health	27,579	5,900	33,479	31,995	-	-	0.0%	0.0%	-	-	-	26,440
Vote 7 - Community and Social Services	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Vote 8 - Sport and Recreation	12,640	-	12,640	11,610	-	-	0.0%	0.0%	-	-	-	10,905
Vote 9 - Waste Management	2,263	1,558	3,821	2,055	-	-	0.0%	0.0%	-	-	-	2,186
Vote 10 - Roads Transport	3,320	-	3,320	2,489	-	-	0.0%	0.0%	-	-	-	1,720
Vote 11 - Waste Water Management	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Vote 12 - Water	18	-	18	-	-	-	0.0%	0.0%	-	-	-	344
Vote 13 - Environment Protection	2,279	182	2,461	2,494	-	-	0.0%	0.0%	-	-	-	1,721
Vote 14 - Roads Agency Function	145,000	20,000	165,000	189,191	-	-	0.0%	0.0%	-	-	-	144,450
Vote 15 - Electricity	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Total Expenditure by Vote	342,764	36,655	379,419	388,733	-	-	0.0%	0.0%	-	-	-	327,023
Surplus/(Deficit) for the year	2,465	2,216	4,681	5,987	-	-	0.0%	0.0%	-	-	-	11,689

MUN - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2017/18						2016/17					
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Revenue By Source												
Property rates	-	-	-	-		-	0.0%	0.0%				-
Property rates - penalties & collection charges	-	-	-	-		-	0.0%	0.0%				-
Service charges - electricity revenue	-	-	-	-		-	0.0%	0.0%				-
Service charges - water revenue	-	-	-	-		-	0.0%	0.0%				-
Service charges - sanitation revenue	-	-	-	-		-	0.0%	0.0%				-
Service charges - refuse revenue	-	-	-	-		-	0.0%	0.0%				-
Service charges - other	-	-	-	-		-	0.0%	0.0%				-
Rental of facilities and equipment	3,507	-	3,507	792		-	0.0%	0.0%				659
Interest earned - external investments	11,124	961	12,084	11,277		-	0.0%	0.0%				12,927
Interest earned - outstanding debtors	846	-	846	1,639		-	0.0%	0.0%				1,177
Dividends received	-	-	-	-		-	0.0%	0.0%				-
Fines	-	-	-	-		-	0.0%	0.0%				-
Licences and permits	314	-	314	214		-	0.0%	0.0%				215
Agency services	15,300	-	15,300	17,373		-	0.0%	0.0%				-
Transfers recognised - operational	152,945	7,600	160,545	155,063		-	0.0%	0.0%				146,698
Other revenue	161,194	30,310	191,504	209,062		-	0.0%	0.0%				177,036
Gains on disposal of PPE	-	-	-	-		-	0.0%	0.0%				-
Total Revenue (excluding capital transfers and contributions)	345,229	38,871	384,100	395,420		-	0.0%	0.0%				338,711
Expenditure By Type												
Employee related costs	118,903	9,848	128,751	202,821	-	-	0.0%	0.0%	-	-	-	172,820
Remuneration of councillors	10,815	-	10,815	10,981	-	-	0.0%	0.0%	-	-	-	9,421
Debt impairment	1,122	400	1,522	10,828	-	-	0.0%	0.0%	-	-	-	4,376
Depreciation & asset impairment	3,070	(10)	3,060	3,902	-	-	0.0%	0.0%	-	-	-	3,106
Finance charges	-	-	-	79	-	-	0.0%	0.0%	-	-	-	427
Bulk purchases	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Other materials	-	-	-	-	-	-	0.0%	0.0%	-	-	-	-
Contracted services	15,896	7,433	23,330	26,923	-	-	0.0%	0.0%	-	-	-	33,950
Transfers and grants	-	-	-	-	-	-	0.0%	0.0%	-	-	-	1,091
Other expenditure	192,958	18,984	211,942	133,900	-	-	0.0%	0.0%	-	-	-	101,562
Loss on disposal of PPE	-	-	-	-	-	-	0.0%	0.0%	-	-	-	269
Total Expenditure	342,764	36,655	379,419	389,433	-	-	0.0%	0.0%	-	-	-	327,022

MUN - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2017/18						2016/17					
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Surplus/(Deficit)	2,465	2,216	4,681	5,987		-	0.0%	0.0%				11,689
Transfers recognised - capital	-	-	-	-		-	0.0%	0.0%				-
Contributions recognised - capital	-	-	-	-		-	0.0%	0.0%				-
Contributed assets	-	-	-	-		-	0.0%	0.0%				-
Surplus/(Deficit) after capital transfers & contributions	2,465	2,216	4,681	5,987		-	0.0%	0.0%				11,689
Taxation	-	-	-	-		-	0.0%	0.0%				-
Surplus/(Deficit) after taxation	2,465	2,216	4,681	5,987		-	0.0%	0.0%				11,689
Attributable to minorities	-	-	-	-		-	0.0%	0.0%				-
Surplus/(Deficit) attributable to municipality	2,465	2,216	4,681	5,987		-	0.0%	0.0%				11,689
Share or surplus/ (deficit) or associate	-	-	-	-		-	0.0%	0.0%				-
Surplus/(Deficit) for the year	2,465	2,216	4,681	5,987		-	0.0%	0.0%				11,689

MUN - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description		2017/18						2016/17				
R thousand	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12
Capital expenditure - Vote												
Multi-year expenditure												
Vote 1 - Executive and Council	350	71	421	-	-	-	0%	0%	-	-	-	-
Vote 2 - Budget and Treasury Office	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 3 - Corporate Services	350	1,283	1,633	-	-	-	0%	0%	-	-	-	-
Vote 4 - Planning and Development	-	64	64	-	-	-	0%	0%	-	-	-	-
Vote 5 - Public Safety	519	800	1,319	-	-	-	0%	0%	-	-	-	-
Vote 6 - Health	31	-	31	-	-	-	0%	0%	-	-	-	-
Vote 7 - Community and Social Services	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 8 - Sport and Recreation	1,100	-	1,100	-	-	-	0%	0%	-	-	-	-
Vote 9 - Waste Management	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 10 - Roads Transport	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 11 - Waste Water Management	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 12 - Water	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 13 - Environment Protection	109	-	109	-	-	-	0%	0%	-	-	-	-
Vote 14 - Roads Agency Function	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 15 - Electricity	-	-	-	-	-	-	0%	0%	-	-	-	-
Capital multi-year expenditure	2,459	2,218	4,677	-	-	-	0%	0%	-	-	-	-
Single-year expenditure												
Vote 1 - Executive and Council	-	-	-	410,769	-	-	0%	0%	-	-	-	3,199
Vote 2 - Budget and Treasury Office	-	-	-	133	-	-	0%	0%	-	-	-	69
Vote 3 - Corporate Services	-	-	-	1,163	-	-	0%	0%	-	-	-	1,276
Vote 4 - Planning and Development	-	-	-	764	-	-	0%	0%	-	-	-	12
Vote 5 - Public Safety	-	-	-	1,838	-	-	0%	0%	-	-	-	507
Vote 6 - Health	-	-	-	614	-	-	0%	0%	-	-	-	253
Vote 7 - Community and Social Services	-	-	-	178	-	-	0%	0%	-	-	-	2
Vote 8 - Sport and Recreation	-	-	-	217	-	-	0%	0%	-	-	-	489
Vote 9 - Waste Management	-	-	-	8	-	-	0%	0%	-	-	-	373
Vote 10 - Roads Transport	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 11 - Waste Water Management	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 12 - Water	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 13 - Environment Protection	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 14 - Roads Agency Function	-	-	-	-	-	-	0%	0%	-	-	-	-
Vote 15 - Electricity	-	-	-	-	-	-	0%	0%	-	-	-	-
Capital single-year expenditure	-	-	-	5,324	-	-	0%	0%	-	-	-	6,181
Total Capital Expenditure - Vote	2,459	2,218	4,677	5,324	-	-	0%	0%	-	-	-	6,181

MUN - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2017/18						2016/17					
	Original Budget	Total Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12
Capital Expenditure - Standard												
Governance and administration												
Executive and council	700	1,354	2,054	1,707	-	-	0%	0%	-	-	-	4,544
Finance and administration	350	48	398	380	-	-	0%	0%	-	-	-	3,199
Internal audit	350	1,283	1,633	1,296	-	-	0%	0%	-	-	-	1,345
Community and public safety	-	24	24	31	-	-	0%	0%	-	-	-	-
Community and social services	1,650	800	2,450	2,846	-	-	0%	0%	-	-	-	1,251
Sport and recreation	-	-	-	178	-	-	0%	0%	-	-	-	2
Public safety	1,100	-	1,100	217	-	-	0%	0%	-	-	-	489
Housing	519	800	1,319	1,838	-	-	0%	0%	-	-	-	507
Health	31	-	-	614	-	-	0%	0%	-	-	-	-
Economic and environmental services	109	64	173	764	-	-	0%	0%	-	-	-	253
Planning and development	-	64	64	764	-	-	0%	0%	-	-	-	12
Road transport	-	-	-	-	-	-	0%	0%	-	-	-	-
Environmental protection	109	-	109	-	-	-	0%	0%	-	-	-	-
Trading services	-	-	-	8	-	-	0%	0%	-	-	-	373
Electricity	-	-	-	-	-	-	0%	0%	-	-	-	-
Water	-	-	-	-	-	-	0%	0%	-	-	-	-
Waste water management	-	-	-	-	-	-	0%	0%	-	-	-	-
Waste management	-	-	-	8	-	-	0%	0%	-	-	-	373
Other	-	-	-	-	-	-	0%	0%	-	-	-	-
Total Capital Expenditure - Standard	2,459	2,218	4,677	5,324	-	-	0%	0%	-	-	-	6,181
Funded by:												
National Government	-	-	-	-	-	-	0%	0%	-	-	-	-
Provincial Government	-	-	-	-	-	-	0%	0%	-	-	-	-
District Municipality	-	-	-	-	-	-	0%	0%	-	-	-	-
Other transfers and grants	-	800	800	-	-	-	0%	0%	-	-	-	-
Transfers recognised - capital	-	800	800	-	-	-	0%	0%	-	-	-	-
Public contributions & donations	-	-	-	-	-	-	0%	0%	-	-	-	-
Borrowing	-	-	-	1,749	-	-	0%	0%	-	-	-	-
Internally generated funds	2,459	1,419	3,877	3,575	-	-	0%	0%	-	-	-	6,181
Total Capital Funding	2,459	2,219	4,677	5,324	-	-	0%	0%	-	-	-	6,181

MUN - Reconciliation of Table A7 Budgeted Cash Flows

Description	2017/18					2016/17	
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Restated Audited Outcome
R thousand	1	2	3	4	5	6	8
CASH FLOW FROM OPERATING ACTIVITIES							
Receipts				389,945			315,579
Property rates, penalties and collection charges	-	-	-	-	-	0.0%	0.0%
Service charges	-	-	-	-	-	0.0%	0.0%
Other revenue	180,314	28,010	208,325	224,526	-	0.0%	155,954
Government - operating	152,945	380	153,325	154,142	-	0.0%	146,698
Government - capital	-	-	-	-	-	0.0%	-
Interest	11,970	961	12,930	11,277	-	0.0%	12,927
Dividends	-	-	-	-	-	0.0%	-
Payments				(385,905)			(321,907)
Suppliers and employees	(338,572)	(16,898)	(355,470)	(363,523)	-	0.0%	(320,388)
Finance charges	-	-	-	(79)	-	0.0%	(427)
Transfers and Grants	-	-	-	(2,304)	-	0.0%	(1,051)
NET CASH FROM/(USED) OPERATING ACTIVITIES	6,657	12,454	19,110	24,041	-	0.0%	(6,328)
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipts				(500)			(169)
Proceeds on disposal of PPE	-	-	-	-	-	0.0%	0.0%
Decrease (increase) in non-current debtors	-	-	-	(500)	-	0.0%	(169)
Decrease (increase) other non-current receivables	-	-	-	-	-	0.0%	-
Decrease (increase) in non-current investments	-	-	-	-	-	0.0%	-
Payments				(5,324)			(6,181)
Capital assets	(2,459)	(2,218)	(4,677)	(5,324)	-	0.0%	(6,181)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(2,459)	(2,218)	(4,677)	(5,824)	-	0.0%	(6,350)
CASH FLOWS FROM FINANCING ACTIVITIES							
Receipts				1,749			-
Short term loans	-	-	-	-	-	0.0%	-
Borrowing long term/refinancing	-	-	-	1,749	-	0.0%	-
Increase (decrease) in consumer deposits	-	-	-	-	-	0.0%	-
Payments				(301)			-
Repayment of borrowing	-	-	-	(301)	-	0.0%	-
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-	1,448	-	0.0%	-
NET INCREASE/ (DECREASE) IN CASH HELD	4,198	10,236	14,434	19,664	-	0.0%	(12,678)
Cash/cash equivalents at the year begin:	155,334		155,334	142,719			155,397
Cash/cash equivalents at the year end:	159,532	10,236	169,768	162,384	-	0.0%	142,719